NEW ISSUE
BOOK-ENTRY ONLY

Ratings: *Moody's: "Aaa/VMIG1"†*
S&P: "AAA/A-1+"†
See **"**RATINGS**"** herein.

In the opinion of Ice Miller, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds, as defined herein, is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), for federal income tax purposes. Such exclusion is conditioned upon continuing compliance by the Authority and the User Group with the Tax Covenants, all as defined herein. In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is exempt from income taxation in the State of Indiana. See "TAX MATTERS" herein.

$194,930,000
INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY
REVENUE BONDS
(PARKVIEW HEALTH SYSTEM OBLIGATED GROUP)
SERIES 2005
(NON-AMT)

PARKVIEW TRUSTED CARE | PARKVIEW HEALTH

$125,000,000 Series 2005A, due November 1, 2033 **$69,930,000 Series 2005B, due November 1, 2028**

Dated: Date of Delivery **Price:** 100%

The Bonds will be issued under and secured by the provisions of the Indenture described herein. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository (as defined herein) for the Bonds and individual purchases of the Bonds will be made in book-entry form only, all as described herein. Principal of and interest on the Bonds will be payable from the sources set forth herein by U.S. Bank National Association, as trustee, to the registered owners of the Bonds (as long as the book-entry system is in effect, Cede & Co.). Subsequent disbursements of such principal and interest will be made to the individual purchasers of beneficial interests in the Bonds as described herein.

The Bonds will initially bear interest at a Weekly Interest Rate. The initial Weekly Interest Rate for the Bonds for the period commencing on the date of delivery of the Bonds to and including August 2, 2005, will be determined by the Underwriter. Thereafter, the Weekly Interest Rate with respect to the Bonds will be determined by Citigroup Global Markets Inc., as Remarketing Agent for the Bonds, as described herein, or, at the election of the Corporation (as defined herein), the interest rate on any series of the Bonds may be converted, in whole, to another Interest Rate Period, as described herein. Interest on the Bonds, while bearing interest at a Weekly Interest Rate, will be payable on the first Wednesday of each month, commencing August 3, 2005, or if such Wednesday is not a Business Day, on the next succeeding Business Day.

The Bonds are subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity as described herein. The Bonds are subject to optional and mandatory tender for purchase as described herein.

The Bonds are limited obligations of the Indiana Health and Educational Facility Financing Authority (the "Authority"), a public body politic and corporate under the laws of the State of Indiana, secured under the provisions of the Indenture and the Loan Agreement described herein, and will be payable from loan repayments made by Parkview Health System, Inc. (the "Corporation"), and Parkview Hospital, Inc. ("Parkview Hospital"), and other members of the Obligated Group (as defined herein) under the Loan Agreement, and from certain funds held under the Indenture. The obligation of the Obligated Group to make such payments is evidenced and secured by the issuance of the Series 2005 Notes (as defined herein) under and pursuant to the terms of the Master Indenture described herein, whereunder the Obligated Group is obligated to make payments on such Series 2005 Notes according to the terms thereof. Payments on such Series 2005 Notes are required to be in an amount sufficient to pay principal of and premium, if any, and interest on the Bonds when due. The Bonds are secured solely by the Indenture and are payable solely from payments under the Loan Agreement and such Series 2005 Notes.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE INDENTURE. THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OF INDIANA OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

Payment of the principal of and interest on the Bonds when due will be guaranteed by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation (the "Bond Insurer") simultaneously with the delivery of the Bonds.

Ambac

Payment of the purchase price of the Bonds that are tendered for purchase and not remarketed may be made, subject to certain terms and conditions, from amounts under a separate Standby Bond Purchase Agreement for each series of the Bonds provided by JPMorgan Chase Bank, National Association (the "Bank").

JPMorganChase

Each Standby Bond Purchase Agreement will expire, unless extended or terminated earlier in accordance with its terms, on July 28, 2010.

This Official Statement generally describes the Bonds only while bearing interest at a Weekly Interest Rate. Prospective purchasers of the Bonds bearing interest during an Interest Rate Period other than a Weekly Interest Rate Period should not rely on this Official Statement. If the Interest Rate Period for any series of Bonds is changed to a different Interest Rate Period, the Corporation will prepare a new disclosure document or a supplement to this Official Statement to describe the new Interest Rate Period for such series of Bonds.

This cover page contains information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale and to the approval of legality by Ice Miller, Indianapolis, Indiana, Bond Counsel, and the approval of certain matters for the Corporation and Parkview Hospital by their counsel, Rothberg, Logan & Warsco, LLP, Fort Wayne, Indiana, for the Authority by its Bond Counsel, Ice Miller, Indianapolis, Indiana, for the Underwriter by its counsel, Baker & Daniels llp, Indianapolis, Indiana, and for the Bank by its counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about July 28, 2005.

CITIGROUP

July 21, 2005

† These ratings reflect the short-term ratings by Moody's and S&P of the Bank.

This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesman or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon.

The information set forth under the captions "THE ISSUER" and "ABSENCE OF MATERIAL LITIGATION—Authority" has been furnished by the Authority. The information set forth under the caption "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE BOND INSURER" has been furnished by the Bond Insurer. The information set forth under the caption "THE BANK" has been furnished by the Bank. The information set forth under the caption "BOOK-ENTRY SYSTEM" has been furnished by DTC. All other information set forth herein has been obtained from the Corporation and Parkview Hospital, and other sources that are believed to be reliable, but the adequacy, accuracy or completeness of such information is not guaranteed by the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Bond Insurer, the Bank, DTC, the Corporation or Parkview Hospital since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE AND THE MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAS PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The statements contained in this Official Statement, including, but not limited to, the sections "HISTORIC AND PRO FORMA FINANCIAL RATIOS," "BONDHOLDERS' RISKS" and "MANAGEMENT DISCUSSION" in APPENDIX A hereto and any other information provided by the Corporation or Parkview Hospital that are not purely historical, are forward-looking statements, including statements of the Corporation's or Parkview Hospital's expectations, hopes and intentions, or strategies regarding the future.

The forward-looking statements herein are necessarily based on various assumptions and estimates, and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements contained in this Official Statement would prove to be accurate.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Corporation or Parkview Hospital on the date hereof, and the Corporation and Parkview Hospital assume no obligation to update any such forward-looking statements.

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$194,930,000
Indiana Health and Educational Facility Financing Authority
Revenue Bonds
(Parkview Health System Obligated Group) Series 2005

$125,000,000 Series 2005A, due November 1, 2033 **$69,930,000 Series 2005B, due November 1, 2028**

INTRODUCTION

General

This Official Statement, including the cover page and Appendices hereto (the "Official Statement"), is provided to furnish information with respect to the sale and delivery of $125,000,000 aggregate principal amount of Indiana Health and Educational Facility Financing Authority Revenue Bonds (Parkview Health System Obligated Group) Series 2005A (the "Series 2005A Bonds"), and $69,930,000 aggregate principal amount of Indiana Health and Educational Facility Financing Authority Revenue Bonds (Parkview Health System Obligated Group) Series 2005B (the "Series 2005B Bonds" and, together with the Series 2005A Bonds, the "Bonds"), issued by the Indiana Health and Educational Facility Financing Authority (the "Authority").

Purpose

Parkview Health System, Inc. (the "Corporation"), and Parkview Hospital, Inc. ("Parkview Hospital"), are Indiana nonprofit corporations exempt from federal income taxation as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). Such organizations are referred to herein as "501(c)(3) Entities." The Corporation and Parkview Hospital are referred to together herein as the "Obligors." The proceeds of the Bonds will be used to (i) finance or reimburse the Obligors for a portion of the cost of the acquisition, construction and equipping of certain capital improvements (the "Project"), (ii) advance refund a portion of the Hospital Authority of the City of Fort Wayne, Indiana Revenue Bonds, Series 1998 (Parkview Health System, Inc. Project) maturing on and after November 15, 2009 (the "Refunded 1998 Bonds"), (iii) pay capitalized interest on a portion of the Bonds, and (iv) pay certain costs of issuance of the Bonds, including the cost of credit enhancement for the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Indenture and Loan Agreement

The Bonds will be issued pursuant to a Trust Indenture dated as of July 1, 2005 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be loaned to the Obligors pursuant to a Loan Agreement dated as of July 1, 2005 (the "Loan Agreement"), among the Authority and the Obligors.

All capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings as in the Indenture or the Master Indenture (as defined below), as applicable. See "DEFINITIONS OF CERTAIN TERMS" in APPENDIX C hereto.

The Authority

The Authority was established on May 15, 2005, as the successor to the Indiana Health Facility Financing Authority (the "IHFFA"), pursuant to the provisions of Indiana Code 5-1-16, as amended (the "Act"), and is organized and existing under and by virtue of the provisions of the Act, as a public body politic and corporate, not an agency of the State of Indiana (the "State"), but an independent public instrumentality exercising essential public functions. Under the Act, the Authority is authorized to make loans to "participating providers" (as defined in the Act) in order to provide funds to finance, refinance and provide reimbursement for all or a portion of any and all

costs authorized under the Act and related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation or housing of "health facility property" (as defined in the Act).

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE INDENTURE. THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

The System

The Corporation is the sole corporate member of Parkview Hospital, Whitley Memorial Hospital, Inc. ("Whitley Hospital"), Huntington Memorial Hospital, Inc. ("Huntington Hospital"), Community Hospital of Noble County, Inc. ("Noble Hospital") and Community Hospital of LaGrange County, Inc. ("LaGrange Hospital"), which are all Indiana nonprofit corporations and, except for LaGrange Hospital (which is expected to apply for 501(c)(3) status later in 2005), are all 501(c)(3) Entities. Parkview Hospital owns a 587 adult and pediatric bed acute care facility, a 38 bed acute care facility, and a 24 bed orthopedic hospital facility, each located in the City of Fort Wayne, Indiana. Whitley Hospital owns a 37 bed acute care facility located in Columbia City, Indiana. Huntington Hospital owns a 36 bed acute care facility located in Huntington, Indiana. Noble Hospital owns a 30 bed acute care facility located in Kendallville, Indiana. LaGrange Hospital owns a 35 bed acute care and rehabilitation facility located in LaGrange, Indiana. The Corporation and Parkview Hospital own Managed Care Services, LLC ("MCS") which provides managed care contracting and contract management services. The Corporation, Parkview Hospital, Whitley Hospital, Huntington Hospital, Noble Hospital, LaGrange Hospital and MCS and the other related entities referred to in APPENDIX A hereto are collectively referred to as the "System." APPENDIX A contains information about the history, organization and financial performance of the Corporation, Parkview Hospital and the System.

The Master Indenture

The terms of the Loan Agreement require the Obligors (as defined herein) to issue and deliver to the Trustee, on behalf of the Authority, a Series 2005A Master Note (the "Series 2005A Master Note") and a Series 2005B Master Note (the "Series 2005B Master Note" and, together with the Series 2005A Master Note, the "Series 2005 Notes"), each dated the date of delivery of the Bonds. The terms of the Series 2005 Notes will require joint and several payments by the Obligated Group (as defined herein) which, together with other moneys available therefor, will pay the principal of and premium, if any, and interest on the Bonds when due.

The Obligors have issued a Master Note Series 2005A-S (the "Series 2005A Swap Note"), which requires joint and several payments by the Obligated Group to make payments to Citibank, N.A., New York (the "Swap Provider"), as required pursuant to the ISDA Master Agreement, together with the Schedule thereto, dated as of August 21, 2003, between the Corporation and the Swap Provider (collectively, the "2003 Master Agreement") and a confirmation between the Corporation and the Swap Provider dated April 26, 2005 (the "Series 2005A Confirmation"). The Obligors also will issue a Master Note Series 2005B-S (the "Series 2005B Swap Note"), which requires joint and several payments by the Obligated Group to make payments to the Swap Provider as required pursuant to the 2003 Master Agreement and a confirmation between the Corporation and the Swap Provider dated July 7, 2005 (the "Series 2005B Confirmation"). The Obligors also will issue a Master Note Series 2005C-S (the "Series 2005C Swap Note" and collectively with the Series 2005A Swap Note and Series 2005B Swap Note, the "Series 2005 Swap Notes"), which requires joint and several payments by the Obligated Group to make payments to the Swap Provider as required pursuant to the 2003 Master Agreement and a confirmation between the Corporation and the Swap Provider dated July 7, 2005 (the "Series 2005C Confirmation" and together with the Series 2005A Confirmation and the Series 2005B Confirmation, the "2005 Confirmations") relating to a forward swap that will

commence in September 2008 in connection with the expected issuance of bonds to refund on a current basis that portion of the Hospital Authority of the City of Fort Wayne, Indiana Revenue Bonds, Series 1998 (the "1998 Bonds") maturing on and after November 15, 2009 that remain outstanding after the issuance of the Bonds. The Series 2005 Swap Notes will rank on a parity with the Series 2005 Notes. Citibank N.A., New York currently maintains ratings of "Aa1" from Moody's and "AA" from Standard & Poor's.

The Obligors also will issue a Master Note Series 2005A-B (the "Series 2005A Bank Note") to secure the Series 2005A Standby Bond Purchase Agreement (as defined herein), and a Master Note Series 2005B-B (the "Series 2005B Bank Note" and together with the Series 2005A Bank Note, the "Series 2005 Bank Notes") to secure the Series 2005B Standby Bond Purchase Agreement (as defined herein). The Series 2005 Bank Notes will rank on a parity with the Series 2005 Notes and the Series 2005 Swap Notes.

The Series 2005 Notes, the Series 2005 Swap Notes and the Series 2005 Bank Notes will be issued pursuant to an Amended and Restated Master Trust Indenture dated as of November 1, 1998 (the "Amended and Restated Master Indenture"), among the Obligors and U.S. Bank National Association (successor to National City Bank of Indiana), as trustee (the "Master Trustee"), a Series 2005A-S Supplemental Master Indenture dated as of May 1, 2005 (the "Series 2005A-S Supplemental Indenture"), among the Obligors and the Master Trustee, with respect to the Series 2005A Swap Note, a Series 2005A Supplemental Master Indenture dated as of July 1, 2005 (the "Series 2005A Supplemental Indenture"), among the Obligors and the Master Trustee, with respect to the Series 2005A Master Note, a Series 2005B Supplemental Master Indenture dated as of July 1, 2005 (the "Series 2005B Supplemental Indenture"), among the Obligors and the Master Trustee, with respect to the Series 2005B Master Note, a Series 2005B-S Supplemental Master Indenture dated as of July 1, 2005 (the "Series 2005B-S Supplemental Indenture"), among the Obligors and the Master Trustee, with respect to the Series 2005B Swap Note, a Series 2005C-S Supplemental Master Indenture dated as of July 1, 2005 (the "Series 2005C-S Supplemental Indenture"), among the Obligors and the Master Trustee, with respect to the Series 2005C Swap Note, a Series 2005A-B Supplemental Master Indenture dated as of July 1, 2005 (the "Series 2005A-B Supplemental Indenture"), among the Obligors and the Master Trustee, with respect to the Series 2005A Bank Note, and a Series 2005B-B Supplemental Master Indenture dated as of July 1, 2005 (the "Series 2005B-B Supplemental Indenture"), among the Obligors and the Master Trustee, with respect to the Series 2005B Bank Note. The Amended and Restated Master Indenture, as heretofore supplemented and amended, as supplemented and amended by the Series 2005A Supplemental Indenture, the Series 2005B Supplemental Indenture, the Series 2005A-S Supplemental Indenture, the Series 2005B-S Supplemental Indenture, the Series 2005C-S Supplemental Indenture, the Series 2005A-B Supplemental Indenture and the Series 2005B-B Supplemental Indenture, and as further supplemented and amended from time to time, is referred to herein as the "Master Indenture."

All Master Notes (as defined in APPENDIX C hereto), including those described below under "— Outstanding Indebtedness," issued by the Obligors or any other Member of the Obligated Group (as defined in APPENDIX C), including the Series 2005 Notes, the Series 2005 Swap Notes and the Series 2005 Bank Notes, will be secured under the Master Indenture by the credit of the Members of the Obligated Group and are referred to herein, collectively, as the "Master Notes." The Series 2005 Notes, the Series 2005 Swap Notes and the Series 2005 Bank Notes will be the general obligations of the Members of the Obligated Group and will entitle the holders thereof the protection of the covenants, restrictions and other obligations imposed upon the Members of the Obligated Group by the Master Indenture. The Members of the Obligated Group, however, have not granted (and do not expect to grant) a mortgage on or security interest in their property to the Master Trustee as security for the Series 2005 Notes, the Series 2005 Swap Notes, the Series 2005 Bank Notes or other Master Notes. See "SECURITY FOR THE BONDS."

The Obligated Group and Designated Affiliates

The only Members of the Obligated Group upon issuance of the Bonds will be the Corporation and Parkview Hospital. However, the Corporation controls, directly or indirectly, the hospitals described above and a number of other entities whose assets, liabilities and results of operations are included in the audited financial statements included in APPENDIX B hereto. The information describing the financial condition of the System contained in this Official Statement includes information with respect to certain members of the System who are not members of the Obligated Group. As of December 31, 2004, members of the Obligated Group constituted approximately 82% of the annual net operating revenue of the System.

The Master Indenture gives the Obligated Group the ability to designate affiliates (the "Designated Affiliates") which Designated Affiliates shall be obligated to transfer moneys to the Obligated Group if necessary to make payments on outstanding Master Notes. **The Designated Affiliates, if any, will not be Members of the Obligated Group and will not be liable for payments on the Master Notes**. **There will be no Designated Affiliates on the date of delivery of the Bonds.**

Eligible institutions may elect to become Members of the Obligated Group under the Master Indenture and may issue obligations (including Master Notes) in order to finance their respective activities. While the Corporation, Parkview Hospital and any other future Members of the Obligated Group will be jointly and severally liable for the repayment of all Master Notes issued under the Master Indenture, each Member (or Members) will be the principal obligor on Master Notes issued on its behalf under the Master Indenture. Members are liable on all Master Notes regardless of whether Master Notes are issued for them. Upon satisfaction of the conditions set forth in the Master Indenture, any Member may withdraw from the Obligated Group and be released from its obligations under the Master Indenture. See the caption "SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED MASTER INDENTURE—Cessation of Status as a Member of the Obligated Group" in APPENDIX C hereto.

Outstanding Indebtedness

On the date of issuance of the Bonds, certain other Master Notes hereinafter described will be outstanding under the Master Indenture. On November 24, 1998, the Hospital Authority of the City of Fort Wayne, Indiana (the "Fort Wayne Authority") issued $144,610,000 of its 1998 Bonds. The proceeds of the 1998 Bonds were used to refund the Fort Wayne Authority's Revenue Refunding Bonds, Series 1989A (Parkview Memorial Hospital, Inc. Project) and a portion of the Fort Wayne Authority's Hospital Revenue Bonds, Series 1992, and to acquire and to construct certain capital projects. The 1998 Bonds are secured by the Obligors' Master Note, Series 1998 (the "1998 Master Note"). In addition, the 1998 Bonds are secured by a financial guaranty insurance policy provided by MBIA Insurance Corporation. A portion of the proceeds of the Series 2005B Bonds will be used to advance refund the Refunded 1998 Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

On November 6, 2001, the IHFFA issued $220,000,000 of its Hospital Revenue Bonds, Series 2001 (Parkview Health System Obligated Group) (FLOATS^{SM}) (the "2001 Bonds" and, together with the 1998 Bonds, the "Prior Bonds"). The proceeds of the 2001 Bonds were used to refund the Fort Wayne Authority's Variable Rate Demand Bonds, Series 1985 B, Series 1985 C and Series 1985 D (Parkview Memorial Hospital, Inc., Project) and the Fort Wayne Authority's Hospital Revenue Bonds, Series 1989 B (Parkview Memorial Hospital, Inc., Project), and to acquire and to construct certain capital projects. The 2001 Bonds are secured by the Obligors' Series 2001A Master Note, Series 2001B Master Note and Series 2001C Master Note. The Obligors also issued the Series 2001D Master Note, Series 2001E Master Note and Series 2001F Master Note (collectively, the "Series 2001 Swap Notes") to secure payments by the Obligors to Merrill Lynch Capital Services, Inc. (the "2001 Swap Provider") as required by the ISDA Master Agreement between the Corporation and the 2001 Swap Provider, together with the Schedule and Confirmation thereto dated November 2, 2001 (collectively, the "2001 Master Agreement"). The payments, if any, due from the 2001 Swap Provider to the Obligors under the 2001 Master Agreement are guaranteed by Merrill Lynch & Co., Inc. Merrill Lynch & Co., Inc. currently maintains a rating of "Aa3" from Moody's and "A+" from Standard & Poor's on its long term, unsecured, unsubordinated debt. The Series 2001A Master Note, Series 2001B Master Note, Series 2001C Master Note and Series 2001 Swap Notes are collectively referred to as the "Series 2001 Notes." In addition, the 2001 Bonds and the payments due from the Obligors to the 2001 Swap Provider are secured by a financial guaranty insurance policy provided by Ambac Assurance Corporation.

In 2004, the Obligors entered into several swap transactions with the Swap Provider pursuant to the 2003 Master Agreement (collectively, the "2004 Confirmations"). The Obligors issued one Master Note under the Master Indenture to secure its obligations to the Swap Provider under the 2004 Confirmations (the "Series 2004 Swap Note"). These included four swap transactions each with a notional amount of $30,000,000, providing that the Obligors will pay a variable rate to the Swap Provider and receive a fixed rate, including (i) a swap with a termination date of February 25, 2007, which requires the Obligors to pay a variable payment based upon LIBOR (with a one month designated maturity) and the Swap Provider to pay interest at a fixed rate of 2.47% per annum, (ii) a swap with a termination date of April 8, 2009, which requires the Obligors to pay a variable payment based

upon LIBOR (with a one month designated maturity) and the Swap Provider to pay interest at a fixed rate of 3.40% per annum, (iii) a swap with a termination date of May 26, 2011, which requires the Obligors to pay a variable payment based on the BMA Municipal Index and the Swap Provider to pay interest at a fixed rate of 3.61% per annum, and (iv) a swap with a termination date of August 3, 2007, which requires the Obligors to pay a variable payment based on the BMA Municipal Index and the Swap Provider to pay interest at a fixed rate of 2.53% per annum. Another 2004 Confirmation with a notional amount of $60,000,000 provides that the Obligors will pay a variable payment based upon the BMA Municipal Index and that the Swap Provider will pay the Obligors a variable payment based upon 68% of LIBOR (with a one month designated maturity) plus 0.37%. In addition, a 2004 Confirmation provides that the Obligors have an option to enter into a swap transaction before August 25, 2008, with a termination date of August 25, 2013, in a notional amount of $30,000,000, which would require the Obligors to pay interest based on the BMA Municipal Index and the Swap Provider to pay interest at a rate of 3.84%. See "BONDHOLDERS' RISKS—Interest Rate Swap Risk."

The 1998 Master Note, Series 2001 Notes and Series 2004 Swap Notes rank on a parity with the Series 2005 Notes, Series 2005 Swap Notes and Series 2005 Bank Notes. See "SECURITY FOR THE BONDS."

The Standby Bond Purchase Agreements

The payment of the purchase price of the respective series of Bonds which are tendered for purchase and not remarketed may be made, subject to certain terms and conditions, from amounts made available by JPMorgan Chase Bank, National Association (the "Bank"), pursuant to a Standby Bond Purchase Agreement dated as of July 1, 2005, relating to the Series 2005A Bonds (the "Series 2005A Standby Bond Purchase Agreement"), and a Standby Bond Purchase Agreement dated as of July 1, 2005, relating to the Series 2005B Bonds (the "Series 2005B Standby Bond Purchase Agreement" and, together with the Series 2005A Standby Bond Purchase Agreement, the "Standby Bond Purchase Agreements"), each among the Obligors, the Bank and U.S. Bank National Association, as Trustee and as Tender Agent. Under the Standby Bond Purchase Agreements, the Bank is obligated, subject to the satisfaction of certain conditions precedent, to make available to the Tender Agent an amount equal to the principal amount of the applicable series of Bonds which are tendered plus up to 40 days interest at an assumed interest rate of 12%; provided, however, that in certain circumstances as described in "THE STANDBY BOND PURCHASE AGREEMENTS—Events of Default," the obligation of the Bank to purchase Bonds of such series tendered by the holders thereof may be terminated or suspended without notice, with no final right to tender. The Standby Bond Purchase Agreements secure only the payment of the purchase price of the applicable series of Bonds tendered for purchase as described herein, and do not otherwise secure payment of the principal of or premium, if any, or interest on such series of Bonds. Each of the Standby Bond Purchase Agreements will expire, unless extended or terminated earlier in accordance with its terms, on July 28, 2010. For a more detailed description of the Standby Bond Purchase Agreements, see "THE STANDBY BOND PURCHASE AGREEMENTS" herein. For more information about the Bank, see "THE BANK" herein.

The Financial Guaranty Insurance Policy

Payment of the principal of and interest on the Bonds when due will be guaranteed by a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") issued by Ambac Assurance Corporation (the "Bond Insurer" or "Ambac Assurance"). The Financial Guaranty Insurance Policy does not insure payment of the Bonds upon a call for redemption (other than mandatory sinking fund redemption) or any payments to be made on an accelerated basis or the purchase price of any Bonds tendered for purchase. See "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE BOND INSURER" herein.

Interest Rate

The Bonds initially will bear interest at a Weekly Interest Rate, as described herein under "THE BONDS—Determination of the Weekly Interest Rate." The initial Weekly Interest Rate for the Bonds for the period commencing on the date of delivery of the Bonds to and including August 2, 2005, will be determined by the Underwriter. Thereafter, the Weekly Interest Rate with respect to each series of Bonds will be determined by Citigroup Global Markets Inc., as Remarketing Agent for the Bonds, as described herein, or, at the election of the Corporation, the interest rate on any series of the Bonds may be converted, in whole, to another Interest Rate Period, as described herein. Interest on the Bonds, while bearing interest at a Weekly Interest Rate, will be payable on the

first Wednesday of each month, commencing August 3, 2005, or if such Wednesday is not a Business Day, on the next succeeding Business Day. See "THE BONDS" herein.

Bondholders' Risks

Certain risk factors associated with the purchase of the Bonds are described under the caption "BONDHOLDERS' RISKS" herein.

Availability of Documents

This Official Statement contains descriptions of, among other matters, the Bonds, the Series 2005 Notes, the Indenture, the Loan Agreement, the Master Indenture, the Standby Bond Purchase Agreements, the Bond Insurer, the Financial Guaranty Insurance Policy and the System. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Loan Agreement, the Standby Bond Purchase Agreements, and the Master Indenture are qualified in their entirety by reference to such documents, and references herein to the Bonds and the Series 2005 Notes are qualified in their entirety by reference to the forms thereof included in the Indenture and the Master Indenture, respectively. Until the issuance and delivery of the Bonds, copies of the Indenture, the Loan Agreement, the Standby Bond Purchase Agreements, the Master Indenture and other documents described herein may be obtained from Citigroup Global Markets Inc., the Underwriter of the Bonds, at 390 Greenwich Street, 2nd Floor, New York, New York 10013 Attention: Michael Brown. After delivery of the Bonds, copies of such documents will be available for inspection at the principal corporate trust office of the Bond Trustee.

THE ISSUER

The Authority was established on May 15, 2005, as the successor to the IHFFA which was created in 1983 pursuant to the provisions of the Act. The Authority is organized and existing under and by virtue of the Act as a public body politic and corporate, not as an agency of the State, but an independent public instrumentality exercising essential public functions. Under the Act, in addition to financing facilities for institutions of higher education, the Authority is authorized to make loans to "participating providers" (as defined in the Act) in order to provide funds to finance, refinance and provide reimbursement for all or a portion of any and all costs authorized under the Act and related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation or housing of "health facility property" (as defined in the Act). The Authority may finance health facility property located in Indiana or outside Indiana if the financing also includes a substantial component, as determined by the Authority, for the benefit of a health facility located in Indiana. Further, the participating provider (or an affiliate thereof) in any financing for a health facility outside Indiana must operate a substantial health facility, as determined by the Authority, in Indiana. The Authority has no taxing power.

The Act provides that the Authority shall consist of seven members, four of whom are appointed by the Governor of the State for terms of four years each. Two of the four members appointed by the Governor must be knowledgeable in health care or public finance and investment matters related to health care, and two of the members appointed by the Governor must be knowledgeable in higher education or public finance and investment matters related to higher education. The Authority shall also include among its members (i) the Governor or the Governor's designee, who shall serve as chairman of the Authority, (ii) the State public finance director or the State public finance director's designee, and (iii) the State health commissioner or the State health commissioner's designee. All Authority members must be residents of the State, with not more than three of the four members appointed by the Governor being of the same political party. All Authority members serve without compensation but are entitled to reimbursement for actual and necessary expenses as determined by the Authority. The Governor shall appoint an Executive Director to serve at the pleasure of the Governor and to receive such compensation as the members of the Authority shall determine. The Executive Director serves as an *ex officio* secretary of the Authority, administers, manages and directs the employees of the Authority (under the direction of the members of the Authority), approves all accounts and expenses and performs other and additional duties as directed by the members of the Authority.

The Act provides that the State pledges to, and agrees with, the holders of any obligations issued under the Act that it will not limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged; provided, however, that nothing in the Act precludes such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations.

The Authority has undertaken and will continue to undertake other types of financings for the purposes authorized by and in accordance with the procedures set forth in the Act, including loans to other participating providers, equipment financing programs, small loan programs and pooled loan programs. The Bonds neither have nor will have any claim of payment from the security or revenues pledged for the payment of the obligations issued by the Authority in connection with any and all such financings, and no such obligations have or will have any claim of payment from the security or revenues pledged for the payment of the Bonds. Obligations of the Authority outstanding or issued subsequent to the issuance of the Bonds are payable solely from the revenues derived from the programs or from participating providers in connection with which such obligations were issued.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE INDENTURE. THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX C hereto for a more detailed description of the provisions of the Bonds and the Indenture. Any reference herein to the Bonds or to the Indenture or other documents shall be deemed to mean the Bonds, the Indenture or such documents, unless the context or use clearly indicates otherwise.

General

This Official Statement summarizes certain terms of the Bonds only while the Bonds bear interest at a Weekly Interest Rate. Should the Bonds be converted to a different Interest Rate Period, the Bonds will be subject to mandatory tender and purchase and, at that time, it is expected that a new disclosure document or a supplement to this Official Statement or other disclosure document will be prepared.

Each series of Bonds initially will bear interest at a Weekly Interest Rate as described below under "—Determination of the Weekly Interest Rate" unless and until, at the direction of the Corporation on behalf of the Authority and upon compliance with the conditions set forth in the Indenture and the Loan Agreement, such series of Bonds is converted to another Interest Rate Period.

The Series 2005A Bonds will mature on November 1, 2033, and the Series 2005B Bonds will mature on November 1, 2028, subject to prior redemption as described herein under "—Redemption." The Bonds will be dated the date of their delivery, and will bear interest from such date of delivery until paid. So long as a series of Bonds bears interest at a Weekly Interest Rate, interest will be computed on the basis of a 365- or 366-day year for the actual days elapsed for such series of Bonds.

The Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of DTC. The Bonds may be purchased by the beneficial owners in

denominations of $100,000 and integral multiples of $5,000 in excess of $100,000, referred to in this Official Statement as an Authorized Denomination.

While a series of Bonds bears interest at a Weekly Interest Rate, interest on such series of Bonds will be payable monthly in arrears on the first Wednesday of each month, commencing August 3, 2005, or the next succeeding Business Day if any such Wednesday is not a Business Day. If a payment date is not a Business Day at the place of payment, the payment will be made at that place on the next succeeding Business Day, with the same force and effect as if made on the payment date, and, in the case of such payment, no interest will accrue for the intervening period.

Interest on a series of Bonds will be payable on each Interest Payment Date for the period commencing on the first Wednesday of the preceding month and ending on the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period). In any event, interest on a series of Bonds will be payable for the final Interest Rate Period to the date on which such series of Bonds has been paid in full.

At no time will any Bond bear interest at a Weekly Interest Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest on the relevant obligation permitted by applicable law.

Principal of and premium, if any, and interest on the Bonds will be paid by the Trustee. Principal is payable upon presentation of such Bonds by the holders thereof. Interest on the Bonds will be payable on each Interest Payment Date by the Trustee by check mailed on the date on which interest is due to the holders of the Bonds at the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as they appear on the registration books maintained by the Trustee. The Record Date with respect to any Interest Payment Date for the Bonds is the Business Day immediately preceding such Interest Payment Date. Notwithstanding the foregoing, so long as records of ownership of the Bonds are maintained through the book-entry only system described below, all payments to the Beneficial Owners of the Bonds will be made in accordance with the procedures described below under "BOOK-ENTRY SYSTEM."

Concurrently with the issuance of the Bonds, the Authority and the Corporation will enter into a Remarketing Agreement dated as of July 1, 2005 (the "Remarketing Agreement"), with Citigroup Global Markets Inc., as the Remarketing Agent for the Bonds (the "Remarketing Agent"), under which the Remarketing Agent will, subject to the terms of the Remarketing Agreement, agree to determine the Weekly Interest Rate on each series of Bonds and use its best efforts to remarket the Bonds subject to optional and mandatory tender for purchase as set forth under "—Tender and Purchase of Bonds."

Determination of the Weekly Interest Rate

During each Weekly Interest Rate Period for a series of Bonds, the Bonds will bear interest at the Weekly Interest Rate, which will be determined by the Remarketing Agent for the Bonds on Tuesday of each week during such Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period will be determined on or prior to the effective date of such Weekly Interest Rate Period and will apply to the period commencing on the effective date of such Weekly Interest Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Interest Rate will apply to the period commencing on Wednesday and ending on the next succeeding Tuesday, unless such Weekly Interest Rate Period will end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period will apply to the period commencing on Wednesday preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period.

The Weekly Interest Rate will be the rate of interest per annum determined by the Remarketing Agent for the Bonds (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof.

In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week will be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the interest rate for such week will be equal to 110% of the BMA Index, which means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association, or BMA, or any person acting in cooperation with or under the sponsorship of BMA and acceptable to the Remarketing Agent and effective from such date, made available for the week preceding the date of determination, or if such index is no longer made available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day the Weekly Interest Rate would otherwise be determined as provided in the Indenture for such Weekly Interest Rate Period.

Conversion of Interest Rates

Conversion from Weekly Interest Rate. The Corporation on behalf of the Authority may direct that the interest rate on a series of the Bonds bearing interest at a Weekly Interest Rate be converted to a Daily Interest Rate, a Long-Term Interest Rate, a Bond Interest Term Rate or an Auction Rate upon satisfaction of certain conditions set forth in the Indenture.

If the Interest Rate Period for a series of Bonds is to be converted from the Weekly Interest Rate, then such series of Bonds will be subject to mandatory tender for purchase on the effective date of the conversion to another Interest Rate Period, at a purchase price equal to the principal amount thereof, without premium, plus accrued interest (if any) to the effective date of the conversion. The Indenture provides that the Trustee is required to give notice of any conversion to another Interest Rate Period to the holders of a series of Bonds not less than 30 days prior to the proposed effective date of such conversion.

Certain Conditions to Conversion of Interest Rates on Bonds. Notwithstanding anything contained in the Indenture to the contrary, in connection with any conversion of the Interest Rate Period on a series of Bonds, the Corporation will cause to be provided to the Trustee a Favorable Opinion of Bond Counsel on the effective date of such conversion. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Rate Period on such series of Bonds will not be converted, and the series of Bonds will continue to bear interest at a Weekly Interest Rate as in effect immediately prior to such proposed conversion of the Interest Rate Period.

In any event, if notice of such conversion has been mailed to the holders of the series of Bonds, and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date of the proposed conversion, the Bonds of such series will continue to be subject to mandatory purchase on the date which would have been the effective date of such conversion as provided in the Indenture.

The Corporation may rescind its election to convert the Interest Rate Period for a series of Bonds from the Weekly Interest Rate Period by delivering a rescission notice to the Trustee, the Remarketing Agent, the Tender Agent, the Liquidity Facility Provider, the Bond Insurer and the Authority on or prior to 10:00 a.m. on the second Business Day preceding the proposed effective date of the conversion. However, if a notice of the proposed conversion has been given to the holders of such series of Bonds, then the series of Bonds nevertheless will still be subject to mandatory tender for purchase on the date which would have been the effective date of the conversion, regardless of the rescission.

If, at any time, the interest rate determination method for a series of Bonds is to be changed from one interest rate determination method to another, all of the Bonds of such series must be changed if any are changed.

Tender and Purchase of Bonds

Tender for Purchase Upon Election of Holder During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Bond will be purchased in whole (or in part if both the amount to be purchased and the amount remaining unpurchased will consist of Authorized Denominations) from the holder thereof at the option of such holder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of the Bonds, to the Trustee at its Principal Office and to the Remarketing Agent of an irrevocable written notice which states the principal amount of such Bond and the date on which the same will be purchased, which date must be a Business Day at least 7 days after the date of the delivery of such notice with a copy to the Remarketing Agent and the Tender Agent. The Tender Agent is required to immediately provide a copy of such notice to the Trustee. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, will be deemed to have been received on the next succeeding Business Day.

Mandatory Tender for Purchase Upon Conversion to a Different Interest Rate Period. A series of Bonds will be subject to mandatory tender for purchase on the effective date of a conversion to a different Interest Rate Period for the Bonds of such series, or on the day which would have been the effective date of such a conversion to a new Interest Rate Period had certain events described in the Indenture not occurred which resulted in the interest rate determination method on such series of Bonds not being converted, at a purchase price, payable in immediately available funds, equal to the principal amount of such series of Bonds, without premium, plus accrued interest (if any) to the effective date of the conversion.

Mandatory Tender for Purchase upon Termination, *Expiration or Replacement of a Liquidity Facility; Mandatory Standby Tender*. If at any time the Trustee gives notice that the Tender Price of any series of Bonds will, on the date specified in such notice, cease to be payable from a then-existing Liquidity Facility as a result of (i) the termination, replacement or expiration of the term of such Liquidity Facility, including a termination at the option of the Corporation in accordance with the terms of such Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then each Bond of such series shall be purchased or deemed purchased at the Tender Price. In the event that funds from the remarketing of such series of Bonds are not sufficient to pay the purchase price of all Bonds of such series subject to mandatory tender, funds for such purchase will be drawn under the then-existing Liquidity Facility, not the Alternate Liquidity Facility.

Any purchase of a Bond under the circumstances described in the preceding paragraph will occur: (1) on the fifth Business Day preceding any expiration or termination of a Liquidity Facility without replacement with an Alternate Liquidity Facility or upon any termination thereof as a result of a Mandatory Standby Tender; and (2) on the date of the replacement of a Liquidity Facility, in any case where an Alternate Liquidity Facility is being delivered to the Tender Agent. No such mandatory tender will be effected upon the replacement of a Liquidity Facility in the event the Liquidity Facility is failing to honor conforming draws. "Mandatory Standby Tender" means the mandatory tender of a series of Bonds upon receipt by the Trustee of written notice from the Liquidity Facility Provider that an event with respect to its Liquidity Facility has occurred which requires or gives the Liquidity Facility Provider the option to terminate its Liquidity Facility upon notice. A Mandatory Standby Tender does not include circumstances in which the Liquidity Facility Provider may suspend or terminate its obligations to purchase securities without notice, in which case there will be no mandatory tender of such series of Bonds.

The Trustee is required to give notice by mail to the holders of any series of Bonds secured by a Liquidity Facility (i) on or before the 30th day preceding the replacement, termination or expiration of such Liquidity Facility (except in the case of a termination resulting from an event resulting in the immediate termination or suspension of the obligation of the Liquidity Facility Provider to purchase such series of Bonds under the terms of any Liquidity Facility) in accordance with its terms, or (ii) in the case of any Mandatory Standby Tender under such Liquidity Facility, as soon as reasonably possible, but no later than the Business Day following the receipt by the Trustee of notice of the Mandatory Standby Tender. The notice must be accompanied by directions for the purchase of such series of Bonds. Among other things, the notice must state the date of the termination or expiration of the affected Liquidity Facility and in the case of replacement the date of the proposed substitution of an Alternate Liquidity Facility (if any) and state that such series of Bonds will be purchased as a result of such replacement, termination or expiration, including any termination as a result of a Mandatory Standby Tender, and the date on which such

purchase will occur, and will also provide any other information required in the notice to the holders of the Bonds of such series.

Under certain circumstances described herein, purchases of a series of Bonds which are tendered will not be made under the Standby Bond Purchase Agreement related to such series of Bonds and, therefore, funds may not be available to purchase such tendered Bonds. Under certain circumstances, an event of default under the applicable Standby Bond Purchase Agreement may permit the Bank to automatically terminate or suspend its obligations to purchase tendered Bonds. In the event that the Bank does not purchase tendered Bonds for any reason, the Corporation has no obligation to make such payment. The Financial Guaranty Insurance Policy does not cover such tenders. See "THE STANDBY BOND PURCHASE AGREEMENTS" and "FINANCIAL GUARANTY INSURANCE POLICY AND THE BOND INSURER" herein.

Irrevocable Notice Deemed to be Tender of Bonds. The giving of notice by a holder of a Bond of its election to have its Bond purchased during a Weekly Interest Rate Period will constitute the irrevocable tender for purchase of such Bond with respect to which such notice has been given, regardless of whether such Bond is delivered to the Tender Agent for purchase on the relevant purchase date. If any holder of a Bond who has given notice of tender for purchase as described in the preceding sentence fails to deliver such Bond to the Tender Agent at the place and on the applicable date and at the time specified, or fails to deliver such Bond properly endorsed, such Bond will constitute an Undelivered Bond.

Undelivered Bonds. If funds in the amount of the purchase price of the Undelivered Bonds are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) each Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the Indenture; (2) interest will no longer accrue thereon; and (3) funds in the amount of the Tender Price of each such Undelivered Bond will be held by the Tender Agent for the benefit of the holder thereof (provided that the holder will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its Principal Office for delivery of the Bonds. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence will be held uninvested and not commingled. The Tender Agent may refuse to accept delivery of any Bonds for which a proper instrument of transfer has not been provided; such refusal, however, will not affect the validity of the purchase of such Bond as described in the Indenture.

Payment of Purchase Price. For payment of the purchase price of any Bond required to be purchased as provided in the Indenture on the purchase date specified in the applicable notice, such Bond must be delivered, at or prior to 10:00 a.m., New York City time, on the date specified in such notice, to the Tender Agent at its Principal Office for delivery of the Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Book-Entry Tender and Delivery Procedures. Notwithstanding anything to the contrary contained in the Indenture, for so long as DTC's nominee is the sole registered owner of the Bonds, all tenders for purchase and deliveries of Bonds tendered for purchase or subject to mandatory tender under the provisions of the Indenture will be made pursuant to the Securities Depository's procedures as in effect from time to time and neither the Authority, the Corporation, the Tender Agent, the Trustee nor the Remarketing Agent will have any responsibility for or liability with respect to the implementation of such procedures.

Source of Funds for Purchase of Bonds

On the date on which Bonds are to be purchased pursuant to the Indenture, the Trustee will purchase such Bonds from the holders thereof at the purchase price thereof. Funds for the payment of such purchase price will be derived solely from the following sources in the order of priority indicated:

(1) proceeds of the sale of the Bonds remarketed by the Remarketing Agent;

(2) moneys received from draws on the Standby Bond Purchase Agreements; and

(3) moneys provided to the Trustee by the Obligors at their option for payment of the Bonds.

Redemption

Optional Redemption. As long as there is no continuing Event of Default, the Bonds shall be subject to redemption prior to their stated maturity by the Authority, at the written direction of the Corporation, in whole or in part, at any time, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional redemption in whole or in part by the Authority, at the written direction of the Corporation, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium, in the event that the Project or any portion of the Project shall have been damaged, taken or condemned as to render the Project or such portion thereof, in the judgment of the Corporation, unsatisfactory for its intended use for a period of time longer than one year.

Payment of the principal of and premium, if any, and interest on the Bonds upon any redemption of the Bonds described above under *"—Optional Redemption"* or *"—Extraordinary Optional Redemption"* will not be insured by the Financial Guaranty Insurance Policy. See "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE BOND INSURER" herein.

Mandatory Sinking Fund Redemption. The following requirements of mandatory sinking fund redemption are subject to the provision that any partial redemption of the Bonds as described under the captions *"—Optional Redemption"* or *"—Extraordinary Optional Redemption"* above shall reduce the mandatory scheduled redemption requirements as provided in the Indenture.

The Series 2005A Bonds are subject to mandatory sinking fund redemption prior to maturity in part on each November 1, commencing November 1, 2006, at a redemption price equal to the principal amount indicated in the column entitled "Series 2005A Bonds—Principal" under the caption "DEBT SERVICE REQUIREMENTS," plus accrued interest to the date fixed for redemption, without premium.

The Series 2005B Bonds are subject to mandatory sinking fund redemption prior to maturity in part on each November 1, commencing November 1, 2005, at a redemption price equal to the principal amount indicated in the column entitled "Series 2005B Bonds—Principal" under the caption "DEBT SERVICE REQUIREMENTS," plus accrued interest to the date fixed for redemption, without premium.

In connection with the conversion of the Interest Rate Period for any series of Bonds to a Long-Term Interest Rate Period extending the maturity date of such series of Bonds, the Authority, at the direction of the Corporation, may elect to convert any mandatory sinking fund redemption amount to a maturity by written notice to the Trustee and the Remarketing Agent.

The Trustee will determine the principal amount of a series of Bonds that must be mandatorily redeemed on such mandatory sinking fund redemption date after taking into account optional redemptions and extraordinary optional redemptions of Bonds. The mandatory sinking fund redemption requirement for any year for a series of Bonds shall also be reduced by the principal amounts of any Bonds of such series that are purchased and delivered or tendered to the Trustee for cancellation by the 45th day next preceding the mandatory sinking fund redemption date.

Selection of Bonds for Redemption. In the case of any redemption in part of the Bonds, the Bonds to be redeemed will be selected by the Trustee, subject to the requirements of the Indenture. If less than all of the outstanding Bonds of a series are called for redemption under any provision of the Indenture permitting partial redemption, the particular Bonds of such series to be redeemed will be selected by the Trustee, in such manner as the Trustee in its discretion may deem fair and appropriate consistent with the requirements of the Indenture.

Notice of Redemption. Notice of any redemption of Bonds, either in whole or in part, will be sent by the Trustee by mail, postage prepaid, not less than 30 days (or, in the case of acceleration of the Bonds following an Event of Default under the Indenture (see "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE—Events of Default and Remedies" in APPENDIX C hereto), not less than 7 days) nor more than 60 days prior to the proposed redemption date, to all holders of the Bonds to be redeemed at their addresses as they appear on the registration books of the Trustee. Each notice will (i) specify the Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which will be the Principal Office of the Trustee) and, if less than all of the Bonds are to be redeemed, the numbers and portions of the Bonds to be redeemed, (ii) state any condition to the redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Bonds redeemed will cease to bear interest. CUSIP number identification will accompany all redemption notices. A failure to give such notice to any holder or any defect in such notice, however, shall not affect the validity of the proceedings for the redemption of any of the other Bonds.

Securities Depository

Unless a successor Securities Depository (as defined herein) is designated pursuant to the Indenture, The Depository Trust Company ("DTC") will act as the Securities Depository for the Bonds. On the date of original issuance of the Bonds, one fully registered Bond for each series will be issued in the name of Cede & Co., as nominee of DTC, in the aggregate principal amount of each series of Bonds. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the owners or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners (as hereinafter defined) of the Bonds. The Securities Depository or its nominee will be the owner of record of all issued and outstanding Bonds, and the Beneficial Owners may not obtain physical possession of the certificates representing the Bonds unless the Securities Depository resigns or is removed by the Corporation, on behalf of itself and Parkview Hospital, as the "Obligated Group Representative," or the Trustee at the direction of the Obligated Group Representative in accordance with the Indenture and no successor Securities Depository is appointed. In such event the Beneficial Owners may obtain physical possession of certificates representing the Bonds that they beneficially own.

So long as DTC is the Securities Depository for the Bonds, payments of the principal of, purchase price of, premium, if any, on and interest on the Bonds will be made directly by the Trustee to DTC or its nominee. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of the DTC Participants and Indirect Participants.

For further information regarding DTC and the book-entry only system, see the information herein under the caption "BOOK-ENTRY SYSTEM."

The Beneficial Owners of the Bonds have no right to a Securities Depository. DTC or any successor Securities Depository may resign as Security Depository for the Bonds by giving notice to the Trustee and discharging its responsibilities under applicable law. If DTC is removed or a successor Depository is appointed, the Beneficial Owners of the Bonds shall obtain such Bonds in certificated form. The Obligated Group Representative or the Trustee shall (i) appoint a Securities Depository qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, notify the prior Securities Depository of the appointment of such successor Securities Depository and transfer certificated Bonds to such successor Securities Depository, or (ii) notify the Securities Depository of the availability through the Securities Depository of certificated Bonds and transfer certificated Bonds to Securities Depository participants having Bonds credited to their accounts at the Securities Depository. In such event, the Bonds shall no longer be restricted to being registered in the name of the Securities Depository but may be registered in the name of the successor Securities Depository or its nominee or in such names as the Bondholders transferring or receiving the certificated Bonds shall designate in accordance with the Indenture.

In the event that no successor Securities Depository is appointed, such certificated Bonds shall be issued in fully registered form and shall be issued in Authorized Denominations (as defined herein).

BOOK-ENTRY SYSTEM

General

The following information concerning DTC and the book-entry only system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Authority, the Obligated Group, the Trustee or the Underwriter.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and collectively with Direct Participants, "Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

All tenders (optional or mandatory) of Bonds and delivery of and payment for such tendered bonds will be effected through the DTC system by or through the Beneficial Owner's Direct or Indirect Participant.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. (or such other DTC nominee) do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, tender price, premium and interest payments on the Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings as shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, the Obligated Group Representative or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, tender price, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

None of the Authority, the Obligated Group or the Trustee has any responsibility or obligation to any DTC Participant or any Beneficial Owner with respect to: (1) the accuracy of any records maintained by DTC or any Participant; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the principal or tender price of, or any premium or interest on the Bonds; (3) the delivery by DTC or any Participant to any Beneficial Owner of any notice (including a notice of redemption) or other communication which is required or permitted to be given to Bondholders under the Indenture; (4) the selection of the Beneficial Owners to receive payment in the event of a partial redemption of a series of the Bonds; or (5) any consent given or other action taken by DTC as Bondholder.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not selected as provided in the Indenture, certificates for the Bonds are required to be printed and delivered.

The Obligated Group Representative, with the consent of the Authority and the Trustee, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). In that event, certificates for the Bonds will be printed and delivered.

The information contained in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, and none of the Authority, the Obligated Group, the Trustee or the Underwriter takes any responsibility for the accuracy thereof or for the accuracy of any information on the DTC website referenced herein.

Registration, Transfer and Exchange Provisions if Book-Entry System is Discontinued

The Beneficial Owners of the Bonds have no right to a Securities Depository for the Bonds. The following describes the provisions for registration, transfer and exchange of the Bonds if the book-entry system is discontinued.

The Trustee will maintain the Bond Register (as defined herein) in which the registration of the related Bonds and the registration of transfers and exchanges of the related Bonds entitled to be transferred or exchanged will be recorded. The person in whose name a Bond is registered in the applicable Bond Register will be deemed the absolute owner thereof for all purposes.

Any registered owner of a Bond or its duly authorized attorney may transfer title to such registered owner's Bond in the applicable Bond Register upon surrender thereof at the corporate trust office of the Trustee, together with a written instrument of transfer (in substantially the form of assignment printed on the Bond or in such other form as shall be satisfactory to the Trustee) executed by the registered owner or its duly authorized attorney. The Bonds may be exchanged at the corporate trust office of the Trustee for a new Bond or Bonds of the same maturity and aggregate principal amount, but in different authorized denominations, as the Bonds being exchanged, upon surrender thereof at the corporate trust office of the Trustee. Upon surrender for transfer or exchange of any Bond, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees or the registered owner thereof, as applicable, a new Bond or Bonds of the same maturity and aggregate principal amount as the Bond surrendered.

The Trustee may charge each holder of a Bond requesting a transfer or exchange any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not required to transfer or exchange any Bonds after notice of redemption of such Bond or portion thereof has been given as herein described.

SECURITY FOR THE BONDS

Limited Obligations of Authority

The Bonds will be special and limited revenue obligations of the Authority and, except to the extent payable from Bond proceeds or other moneys held under the Indenture or insurance and condemnation proceeds, will be payable solely and only from and secured by the payments to be made by the Obligors under the Loan Agreement or the Series 2005 Notes (or by the other Members of the Obligated Group, if any).

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE INDENTURE. THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

The Loan Agreement

Pursuant to the Loan Agreement, the Obligors, jointly and severally, agree to make payments to the Authority in such amounts and at such times as are sufficient to pay in full, when due, the principal of and premium, if any, and interest on the Bonds.

The Series 2005 Notes

To secure their obligations under the Loan Agreement, the Obligors will issue to the Trustee, pursuant to the Master Indenture and (i) the Series 2005A Supplemental Indenture, the Series 2005A Master Note in a principal amount equal to the aggregate principal amount of the Series 2005A Bonds, and (ii) the Series 2005B Supplemental Indenture, the Series 2005B Master Note in a principal amount equal to the aggregate principal amount of the Series 2005B Bonds. All payments of principal, premium, if any, and interest by the Obligated Group on the Series 2005 Notes will be made to the Trustee, and each payment will be made on or before the date when the corresponding payment is required to be made on the related Bonds. The principal, premium, if any, and interest payments on the Series 2005A Master Note corresponds in amount to the principal, premium, if any, and interest payments on the Series 2005A Bonds. The principal, premium, if any, and interest payments on the Series 2005B Master Note corresponds in amount to the principal, premium, if any, and interest payments on the Series 2005B Bonds. The Series 2005 Notes will at all times be in fully registered form and will be non-transferable except as required to effect assignment to any successor trustee. To secure their obligations under the 2005 Confirmations, the Obligors will issue to the Swap Provider, pursuant to the Master Indenture, the Series 2005 Swap Notes. To secure their obligations under the Standby Bond Purchase Agreements, the Obligors will issue to the Bank, pursuant to the Master Indenture, the Series 2005 Bank Notes. The Series 2005 Notes, the Series 2005 Swap Notes and the Series 2005 Bank Notes and all other Master Notes previously issued or to be issued under the Master Indenture will be equally and ratably secured under the Master Indenture by the covenants and agreements therein and by the collateral, if any, provided for therein.

The Master Indenture

Collective Obligations of the Obligated Group. The Master Indenture permits the Obligors and other Members of the Obligated Group to issue additional Master Notes and to secure all Master Notes on a parity thereunder. Upon issuance of the Bonds, the Corporation and Parkview Hospital will be the only Members of the Obligated Group. Additional Master Notes may be issued to secure additional borrowing or to evidence or secure debt owed to other creditors by any Member of the Obligated Group. Previous Master Notes which are still outstanding were issued under the Master Indenture to secure the 1998 Bonds, the 2001 Bonds and the 2001 Master Agreement. Although each Member (or Members) is the principal obligor on Master Notes issued on its behalf under the Master Indenture, all Members of the Obligated Group are jointly and severally obligated with respect to payment of each Master Note.

Designated Affiliates. The Master Indenture gives the Obligated Group Representative the ability to designate Designated Affiliates which shall be obligated to transfer moneys to the Obligated Group if necessary to make payments on outstanding Master Notes. **The Designated Affiliates, if any, will not be Members of the Obligated Group and will not be liable for payment of the Master Notes. There are no Designated Affiliates upon the issuance of the Bonds**. The Master Indenture requires that each Designated Affiliate be controlled by the Obligated Group Representative (through corporate control or pursuant to contract), so as to assure compliance by the Designated Affiliates with certain covenants contained in the Master Indenture.

No assurance can be given that the Obligated Group Representative will, in all circumstances, be able to exercise such control (including, without limitation, the ability of the Obligated Group Representative to cause its Designated Affiliates to transfer funds to make payments on the Master Notes).

Entities may be designated Designated Affiliates by the Obligated Group Representative from time to time, and such designation may be rescinded by the Obligated Group Representative from time to time, provided no Event of Default exists. Although the Master Indenture requires the Obligated Group Representative to include the Designated Affiliates in covenant calculations required under the Master Indenture, the Master Indenture imposes no limitations on the ability of the Obligated Group Representative to rescind the designation of an entity as a Designated Affiliate.

Coverage Test. The Master Indenture includes covenants which require the Obligated Group and the Designated Affiliates (collectively, the "Credit Group") to maintain a minimum debt service coverage ratio. In determining whether the Credit Group has satisfied such covenants, the Master Indenture requires the Credit Group

to include the Obligated Group and Designated Affiliates in calculating the ratios and in testing for compliance even though the Designated Affiliates are not obligated on the Master Notes.

Negative Pledge. Pursuant to the Master Indenture, the Members of the Obligated Group covenant not to permit an encumbrance or mortgage on their Property or Property of Designated Affiliates unless such encumbrance or mortgage is a Permitted Encumbrance under the Master Indenture.

Springing Pledge of Revenues. The Obligated Group is required to grant a security interest in its gross revenues if the historical debt service coverage falls below a certain level on an ongoing basis. See "SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED MASTER INDENTURE—Springing Pledge of Revenues" in APPENDIX C hereto. This pledge of gross revenues is not currently in effect.

Incurrence of Additional Indebtedness. Provided no Event of Default has occurred and is in effect thereunder, the ability of the Members of the Obligated Group and the Designated Affiliates to incur additional indebtedness, including additional indebtedness evidenced by Master Notes, and the amount and terms of such additional indebtedness is not limited by the provisions of the Master Indenture.

No Restrictions as to Transfer of Assets. The ability of the Members of the Obligated Group and Designated Affiliates to sell, lease, transfer or otherwise dispose of its assets, is not limited by the provisions of the Master Indenture.

Exchange of Master Notes. The Master Trustee is permitted to surrender the Series 2005 Notes in exchange for other obligations under certain circumstances. **This could, under certain circumstances lead to the substitution of different security in the form of notes issued by a new obligated group that is financially and operationally different than the current Obligated Group. That new obligated group could have substantial debt outstanding that would rank senior to or on a parity with the substitute notes, and the financial and operating covenants related to the substitute notes could be materially different than those contained in the Master Indenture.** The Obligated Group may request a substitution without Bondholder consent, as described more fully in APPENDIX C hereto under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED MASTER INDENTURE—Substitution of Master Notes."

The 2003 Master Agreement

The Obligated Group has entered into the Series 2005A Confirmation and the Series 2005B Confirmation with the Swap Provider to hedge the Obligated Group's interest rate exposure on the Series 2005A Master Note and the Series 2005B Master Note, respectively. The Series 2005A Confirmation provides that the Obligated Group will pay to the Swap Provider fixed amounts based on a fixed rate of 3.48% and that the Swap Provider will pay to the Obligated Group floating amounts based on the sum of 62.40% of one-month LIBOR and 0.29%, in each case with reference to a notional amount equal to the principal amount of the Series 2005A Bonds. The Series 2005B Confirmation provides that the Obligated Group will pay to the Swap Provider fixed amounts based on a fixed rate of 3.256% and that the Swap Provider will pay to the Obligated Group floating amounts based on the sum of 62.40% and 0.29%, in each case with reference to a notional amount equal to the principal amount of the Series 2005B Bonds.

Under certain circumstances, the Series 2005A Confirmation and the Series 2005B Confirmation are subject to termination prior to the maturity of the Series 2005A Master Note and the Series 2005B Master Note, respectively and prior to the respective scheduled termination dates thereof. In the event of an early termination of the Series 2005A Confirmation or the Series 2005B Confirmation, there can be no assurance that (i) the Obligated Group will receive any termination payment payable to it by the Swap Provider, (ii) the Obligated Group will have sufficient amounts to make a termination payment payable by it to the Swap Provider, or (iii) the Obligated Group will be able to obtain a replacement swap agreement with comparable terms. Payments due upon early termination may be substantial.

The Obligated Group is obligated to make payments on the Series 2005 Notes regardless of the performance of the Swap Provider of its obligations under the Series 2005A Confirmation and the Series 2005B Confirmation.

The Swap Provider has no obligation to make any payments with respect to the principal of and premium, if any, and interest on the Series 2005 Notes or the Bonds and is only obligated to make certain payments to the Obligated Group pursuant to the terms of the Series 2005A Confirmation and the Series 2005B Confirmation. The agreement by the Swap Provider to pay amounts to the Obligated Group under the Series 2005A Confirmation and the Series 2005B Confirmation does not alter or affect the Obligated Group's obligation to pay the principal of and premium, if any, and interest on the Series 2005 Notes. Neither the holders of the Series 2005 Notes nor any other person other than the Obligated Group will have any rights under the Series 2005A Confirmation or the Series 2005B Confirmation or against the Swap Provider. Payments due to the Swap Provider under the 2005 Confirmations by the Obligated Group will be secured by the Series 2005 Swap Notes.

See "BONDHOLDERS' RISKS—Interest Rate Swap Risk" for a discussion of certain risks associated with swap transactions.

The Indenture

Assignment by Authority to the Bond Trustee. Pursuant to the Indenture, the Authority will assign to the Trustee, as security for the payment of the Bonds, the following:

(1) all rights and interest of the Authority under the Loan Agreement (except the Authority's rights to indemnification and payment of its expenses and certain expenses of collection in the event of default), including the right to receive payments from the Obligors; and

(2) all moneys and securities on deposit from time to time in the fund established under the provisions of the Indenture, permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

Financial Guaranty Insurance Policy

The Financial Guaranty Insurance Policy requires the Credit Group to meet certain covenants so long as the Bonds remain outstanding. These covenants include, among others, a rate covenant, a days' cash on hand covenant, a springing gross revenue pledge, a capitalization ratio and a permitted encumbrance restriction. See "SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2005 SUPPLEMENTAL MASTER INDENTURES" in APPENDIX C hereto.

THE STANDBY BOND PURCHASE AGREEMENTS

The Standby Bond Purchase Agreements provide liquidity support only for the Bonds and do not provide security for or a source of payment for the Bonds. The following summary of the Standby Bond Purchase Agreements does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the Standby Bond Purchase Agreements to which reference is made hereby. Investors are urged to obtain and review copies of the Standby Bond Purchase Agreements in order to understand all of the terms of such documents. Copies of the Standby Bond Purchase Agreements may be obtained from the Trustee upon request by calling U.S. Bank National Association, (317) 264-2500. See "THE BANK" for certain information regarding the Bank.

General

On the date of issuance of the Bonds, the Obligors will enter into the Standby Bond Purchase Agreements with the Bank and the Trustee (as Trustee and as Tender Agent). Upon compliance with the provisions of the Standby Bond Purchase Agreements, the Bank is obligated, under certain conditions and assuming timely and proper notice is given to the Bank, to provide funds for the purchase of any eligible Bonds that are tendered or deemed tendered for purchase, whether at the option of the holder or upon mandatory tender for purchase, and that are not remarketed, referred to in this Official Statement as Tendered Bonds. Under the Standby Bond Purchase Agreements, the Bank is obligated to make available to the Tender Agent an amount equal to the principal amount

of the Bonds plus up to 40 days interest at an assumed interest rate of 12%. The Standby Bond Purchase Agreements cover only the tender of Bonds in a Weekly Interest Rate Period or a Daily Interest Rate Period.

The Standby Bond Purchase Agreements secure only the payment of the purchase price of the Bonds tendered for purchase as described above, and do not otherwise secure payment of the principal of or premium, if any, or interest on the Bonds.

Under certain circumstances described below, the obligations of the Bank to purchase Bonds tendered by the holders thereof or subject to mandatory purchase may be terminated or suspended. In such event, sufficient funds may not be available to purchase Bonds tendered by the holders thereof or subject to mandatory purchase.

The terms and provisions of each Standby Bond Purchase Agreement are substantially identical. Each Standby Bond Purchase Agreement provides liquidity support only for the series of the Bonds identified therein and does not provide security for the other series of the Bonds.

The initial Stated Expiration Date of the Series 2005A Standby Bond Purchase Agreement is July 28, 2010, and the initial Stated Expiration Date of the Series 2005B Standby Bond Purchase Agreement is July 28, 2010. The Stated Expiration Date of the Standby Bond Purchase Agreements may be extended as described below under "—Extension of Standby Bond Purchase Agreements." The Bank's obligation to make payments under the Standby Bond Purchase Agreements may be terminated or suspended as set forth below under "—Events of Default" and "—Remedies Upon Occurrence of an Event of Default."

Various words or terms used in the following summary are defined in this Official Statement, the Standby Bond Purchase Agreements or the Indenture, and reference thereto is made for full understanding of their import.

Commitment to Purchase Bonds

The Bank agrees, on the terms and conditions contained in the Standby Bond Purchase Agreements, to purchase Tendered Bonds, for the Bank's own account, from time to time during the Bank Purchase Period.

Covenants

The Obligors make certain representations, warranties and covenants under the Standby Bond Purchase Agreements relating to various matters, including, without limitation, existence, authorization and validity, compliance with laws and contracts, litigation, disclosure, regulatory approvals, property, tax-exempt status, financial reports, ERISA, environmental laws, casualty, inspection rights, maintenance of property, merger or sale, accreditation, financial covenants and liens. The covenants and agreements contained in the Standby Bond Purchase Agreements run only in favor of the Bank and may be waived at any time in the sole discretion of the Bank or amended at any time upon the agreement of the Obligors, the Trustee and the Bank and, in certain circumstances, the Bond Insurer. Holders are not entitled to and should not rely upon any of the covenants and agreements in the Standby Bond Purchase Agreements.

Events of Default

Each of the following events shall constitute an "Event of Default" under the Standby Bond Purchase Agreements:

(a) any principal or interest due on the Bonds is not paid when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Financial Guaranty Insurance Policy; or

(b) (i) the Bond Insurer shall claim, in writing, that the Financial Guaranty Insurance Policy, with respect to the payment of principal of or interest on any Bond, is not valid and binding on the Bond Insurer, or repudiate, in writing, the Bond Insurer's obligations under the Financial Guaranty Insurance

Policy, with respect to the payment of principal of or interest on any Bond, (ii) the Bond Insurer shall initiate legal proceedings seeking an adjudication that the Financial Guaranty Insurance Policy, with respect to the payment of principal of or interest on any Bond, is not valid and binding on the Bond Insurer, or (iii) any court or Governmental Authority with jurisdiction to rule on the validity of the Financial Guaranty Insurance Policy shall announce, find or rule that any material provision of the Financial Guaranty Insurance Policy relating to the obligation of the Bond Insurer to make payments thereunder is not valid and binding on the Bond Insurer or that the Financial Guaranty Insurance Policy is null and void for any reason; or

(c) the occurrence and continuance of one or more of the following events: (i) the issuance, under the laws of the State of Wisconsin, of an order of rehabilitation, liquidation or dissolution of the Bond Insurer; (ii) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (iii) the consent of the Bond Insurer to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it; (iv) the commencement against the Bond Insurer of an involuntary case or other proceeding seeking liquidation, reorganization or other relief with respect to it or its Debts under any bankruptcy, insolvency, insurance or other similar law now or hereafter in effect, including without limitation the appointment of a trustee, receiver, liquidator, custodian, supervisor or other similar official for itself or any substantial part of its property, if such case or proceeding shall continue undismissed or unstayed and in effect for a period of sixty (60) consecutive days or an order for relief shall be entered or a receiver, supervisor or similar official shall be appointed in any involuntary case against the Bond Insurer under any bankruptcy, insolvency, insurance or other similar law now or hereafter in effect; (v) the making by the Bond Insurer of an assignment for the benefit of creditors; (vi) the failure of the Bond Insurer to generally pay its Debts as they become due following the expiration or running of any waiting periods, grace periods or the like with respect to such debts, or the written admission of the same by the Bond Insurer; or (vii) the initiation by the Bond Insurer of any actions to authorize any of the foregoing; or

(d) the occurrence of a Bond Insurer Adverse Change (defined in the Standby Bond Purchase Agreements as the lowering of the Bond Insurer's claims-paying ability or financial strength rating below "AA" by S&P, "AA" by Fitch or "Aa2" by Moody's for a period of thirty (30) consecutive days); or

(e) (i) each of Moody's, Fitch and S&P shall downgrade the rating of the financial strength or claims-paying ability of the Bond Insurer to below Investment Grade (defined in the Standby Bond Purchase Agreements as a rating of "Baa3" (or its equivalent) or better by Moody's, "BBB-" (or its equivalent) or better by Fitch or "BBB-" (or its equivalent) or better by S&P) or (ii) each of Moody's, Fitch and S&P shall suspend or withdraw such financial strength or claims-paying ability rating for credit related reasons; or

(f) any representation or warranty made by the Obligated Group or any other Member under or in connection with (or incorporated by reference in) the Standby Bond Purchase Agreements or any of the Related Documents or in any certificate or statement delivered thereunder shall prove to be untrue in any material respect on the date as of which it was made or deemed to have been made; or

(g) nonpayment, in whole or in part, of certain fees payable to the Bank under the Standby Bond Purchase Agreements (together with interest thereon at a rate equal to the default rate) after the Obligors and the Bond Insurer shall receive written notice from the Bank that the same were not paid when due; or

(h) nonpayment of any other fees, or any other amount when due under the Standby Bond Purchase Agreements (together with interest thereon at a rate equal to the Default Rate), including non-payment of Deferred Interest and any Differential Interest Amount, if such failure to pay when due

shall continue for five (5) Business Days after written notice thereof from the Bank to the Obligors; or

(i) the breach by the Obligors or any other Member of the Obligated Group of any of the other terms or provisions of (or incorporated by reference in) such Standby Bond Purchase Agreements (other than as set forth in (f) or (g) above) which are not remedied within ten (10) days after written notice thereof shall have been received by the Obligors or any other Member from the Bank; provided, however, that there shall be no 10-day cure period for a failure to observe or perform certain covenants or agreements, including, without limitation, compliance with laws, inspection rights, optional redemptions of Bonds, conversions of Bonds or maintenance of corporate existence; or

(j) any material provision of such Standby Bond Purchase Agreement or any Related Document (including, without limitation, the Trust Indenture, the Loan Agreement and the Master Indenture, but other than the Financial Guaranty Insurance Policy) shall at any time for any reason cease to be valid and binding on the Obligors or any other Person party thereto or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Obligors, any other Member, if any, or by any Governmental Authority having jurisdiction, or any Governmental Authority having jurisdiction shall find or rule that any material provision of such Standby Bond Purchase Agreement or any Related Document is not valid or binding on the Obligors or any other Member, or the Obligors or any other Member shall deny that it has any or further liability or obligation under any such document; or

(k) the occurrence of any "event of default" as defined in the Master Indenture or any "event of default" which is not cured within any applicable cure period under any of the other Related Documents and which, if not cured, would give rise to remedies available thereunder (regardless of any waiver thereof by any Person other than the Bank); or

(l) (i) either of the Obligors or any other Member, if any, shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or such Obligor or any other Member, if any, shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against such Obligor or any other Member, if any, any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against such Obligor or any Member, if any, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) such Obligor or any other Member, if any, shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) such Obligor or any other Member, if any, shall generally not, or shall be unable to, or so admit in writing its inability to, pay its debts; or

(m) (i) either of the Obligors or any other Member, if any, shall default in any payment of principal of or premium, if any, or interest on any Debt which is on a parity with, or senior to, the Bonds (the "Parity Debt") in excess of $5,000,000 and such default shall continue beyond the expiration of the applicable grace period, if any, or (ii) such Obligor or any other Member, if any, shall fail to perform any other agreement, term or condition contained in any agreement, mortgage or other instrument under which any such obligation is created or secured, which results in the declaring due and payable of Parity Debt in excess of $5,000,000 becoming due and payable or which enables (or, with the giving of notice or lapse of time, or both would enable) the holder of Parity Debt in excess of $5,000,000 or any Person acting on such holder's behalf to accelerate the maturity thereof; or

(n) a final judgment or order for the payment of money in an amount in excess of $5,000,000 shall have been rendered against either of the Obligors or any other Member, if any, and such judgment or order shall not (i) have been satisfied, stayed or bonded pending appeal or (ii) be subject to a written agreement by the judgment holder thereof pursuant to which such judgment holder has agreed that such judgment or order will not in any manner be executed upon pending appeal, in each case within a period of thirty (30) days from the date on which such judgment or order was first so rendered; or

(o) a notice of intent to terminate a Plan or Plans having aggregate unfunded liabilities in excess of $5,000,000 (collectively, "Restricted Plans") shall be filed under Title IV of ERISA by or on behalf of a member of the Controlled Group or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) or to cause a trustee to be appointed to administer any Restricted Plan; or a proceeding shall be instituted by a fiduciary of any Restricted Plan against any member of the Controlled Group to enforce Section 515 of ERISA; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Restricted Plan must be terminated; or any member of the Controlled Group shall fail to pay when due withdrawal liability in excess of $5,000,000 which it shall have become liable to pay to a "multiemployer" plan as such term is defined in Section 3(37) of ERISA; and, in the case of any event described in this clause (o), the aggregate amount of liability of the members of the Controlled Group to the PBGC under Section 4062, 4063 or 4064 of ERISA or to a multiemployer plan, as the case may be, shall exceed $5,000,000; or

(p) the Bond Insurer shall default in any payment or payments of amounts payable by it under any of its municipal bond insurance policies when, as and in the amounts required to be paid pursuant to the express terms or provisions of any such insurance policies, unless the obligation of the Bond Insurer to pay is being contested by the Bond Insurer in good faith by appropriate proceedings.

Remedies Upon Occurrence of an Event of Default

If any Event of Default shall have occurred and be continuing, the following remedies shall be available to the Bank:

(i) Upon the occurrence of an Event of Default as specified in (a), (c), (e) or (p) above under the caption "—Events of Default," or a Final Suspension Event (each an "Automatic Termination Event"), in each case the Available Commitment and the obligation of the Bank to purchase eligible Bonds shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Bonds. Promptly after the Bank receives written notice of such Event of Default or final and non-appealable order, judgment or decree, the Bank shall give written notice of the same to the Trustee, the Bond Insurer, the Remarketing Agent and the Obligated Group Representative; *provided* that the Bank shall not incur any liability or responsibility whatsoever by reason of the Bank's failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of any obligation of the Bank to purchase Bonds pursuant to a Standby Bond Purchase Agreement. The Obligated Group Representative shall promptly in writing direct the Trustee to notify all Bondholders of any termination of the obligation of the Bank to purchase Bonds as a result of the occurrence of an Automatic Termination Event.

(ii) Upon the occurrence of an Event of Default specified in (d), (g), (h), (l) or (m) above under the caption "—Events of Default," the Bank may terminate the Available Commitment and the obligation of the Bank to advance funds for the purchase of eligible Bonds by giving written notice (a "Notice of Termination") to the Obligated Group Representative, the Trustee, the Remarketing Agent and the Bond Insurer, specifying the date on which the Available Commitment and the obligation of the Bank to advance funds for the purchase of eligible Bonds shall terminate (the "Noticed Termination Date"), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee and, on and after the Noticed Termination Date, the Bank shall be under no further obligation to purchase Bonds under the applicable Standby Bond Purchase Agreement other than eligible Bonds which are the subject of the mandatory tender pursuant to the Indenture, which the Bank shall be required to purchase on or prior to the Noticed Termination Date.

(iii) Upon the occurrence of an Event of Default specified in (b) above or a Default specified in Section (c)(iv) above, under the caption "—Events of Default" (each an "Automatic Suspension Event"), the Bank's obligation to purchase Bonds under a Standby Bond Purchase Agreement shall immediately be suspended without notice or demand to any Person and thereafter the Bank shall be under no obligation to purchase Bonds until its obligation to purchase Bonds is reinstated as described below. Promptly upon an Event of Default specified in (b) or a Default specified in (c)(iv), the Bank shall notify the Obligated Group Representative, the Bond Insurer, the Trustee and the Remarketing Agent of such suspension in writing; provided that the Bank shall not incur any liability or responsibility whatsoever by reason of the Bank's failure to give such notice and such failure shall in no way affect the suspension of the Bank's Available Commitment and of any obligation of the Bank to purchase Bonds pursuant to a Standby Bond Purchase Agreement. The Obligated Group Representative shall promptly in writing direct the Trustee to notify all Bondholders of any suspension of the obligation of the Bank to purchase Bonds as a result of the occurrence of such an Automatic Suspension Event. With respect to an Event of Default specified in (b), if (w) a court with jurisdiction to rule on the validity of the Financial Guaranty Insurance Policy shall thereafter enter a final, nonappealable judgment that the Financial Guaranty Insurance Policy is not valid and binding on the Bond Insurer or (x) a period of two years elapses since the commencement of the suspension hereunder with respect thereto, then the obligation of the Bank under the applicable Standby Bond Purchase Agreement will immediately terminate and the Bank shall be under no further obligation to purchase Bonds (a "7.01(b) Final Suspension Event"). With respect to a Default specified in (c)(iv), if (y) such Default becomes an Event of Default or (z) a period of two years elapses since the commencement of the suspension hereunder with respect thereto, then the obligation of the Bank under the applicable Standby Bond Purchase Agreement will immediately terminate and the Bank shall be under no further obligation to purchase Bonds (together with a 7.01(b) Final Suspension Event, a "Final Suspension Event"). If, with respect to an Event of Default under (b), a court with jurisdiction to rule on the validity on the Financial Guaranty Insurance Policy shall find or rule that the Financial Guaranty Insurance Policy is valid and binding on the Bond Insurer or if the proceeding triggering the (c)(iv) Default is terminated on or prior to the end of the 60-day period, then upon such ruling or termination, as applicable, the Bank's obligation thereunder shall be automatically reinstated and the terms of the applicable Standby Bond Purchase Agreement will continue in full force and effect (unless such Standby Bond Purchase Agreement shall otherwise have terminated by its terms) as if there had been no such suspension.

(iv) In addition to the rights and remedies set forth in (i), (ii) and (iii) above, upon the occurrence of any Event of Default specified under the caption "—Events of Default," the Bank shall have all the rights and remedies available to it under the Standby Bond Purchase Agreements, the Related Documents or otherwise pursuant to law or equity, provided, however, that the Bank shall not have the right to terminate or suspend its obligation to purchase Bonds, to declare any amount due under the Standby Bond Purchase Agreements due and payable, or to cause a mandatory tender of any Bonds except as provided above and in the Indenture.

Extension of Standby Bond Purchase Agreements

The Stated Expiration Dates of the Standby Bond Purchase Agreements may be extended from time to time, at the request of the Obligated Group Representative from time to time, given not more frequently than once in any twelve month period, at any time after the first anniversary of the date the Bonds are issued, by agreement in writing between the Obligated Group Representative and the Bank (the period from the preceding Stated Expiration Date to such new Stated Expiration Date being herein sometimes called the "Extended Bank Purchase Period"). The Extended Bank Purchase Period may itself be extended in a like manner for additional periods. The Bank has no obligation to agree to any Extended Bank Purchase Period. If the Bank, in its sole and absolute discretion, determines to extend any such period, the Bank shall give written notice of the election to extend to the Trustee, the Obligated Group Representative and the Bond Insurer not more than sixty (60) days following the receipt of the Obligated Group Representative's written request. Notwithstanding anything in this paragraph to the contrary, if the Bank fails to give notice of an election to extend the Standby Bond Purchase Agreements on or before such sixtieth (60^{th}) day following the receipt of the Obligated Group Representative's written request, the Standby Bond Purchase Agreements shall expire at the end of the Bank Purchase Period or Extended Bank Purchase Period then in effect.

At the time of any extension, the Bank may, in its sole and absolute discretion, renegotiate terms and conditions of the Standby Bond Purchase Agreements.

For information regarding the provision by the Corporation of an Alternate Liquidity Facility with respect to the Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE—Alternate Liquidity Facility" in APPENDIX C hereto.

THE BANK

JPMorgan Chase Bank, National Association ("JPMCB") is a wholly owned bank subsidiary of JPMorgan Chase & Co. ("JPMorgan Chase"), a Delaware corporation whose principal office is located in New York, New York. JPMCB is a commercial bank offering a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

Effective July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase, the surviving corporation in the merger. Prior to November 13, 2004, JPMCB was a New York state-chartered bank and was named JPMorgan Chase Bank. On that date, it became a national banking association and its name was changed to JPMorgan Chase Bank, National Association (the "Conversion"). Immediately following the Conversion, Bank One, N.A. (Chicago) and Bank One, N.A. (Columbus) merged into JPMCB.

As of March 31, 2005, JPMorgan Chase Bank, National Association had total assets of $983.0 billion, total net loans of $360.0 billion, total deposits of $534.1 billion, and total stockholder's equity of $81.6 billion. These figures are extracted from JPMCB's unaudited Consolidated Reports of Condition and Income as at March 31, 2005, which are filed with the Board of Governors of the Federal Reserve System.

Additional information, including the most recent Form 10-K for the year ended December 31, 2004, of JPMorgan Chase & Co., the 2004 Annual Report of JPMorgan Chase & Co. and additional annual, quarterly and current reports filed or furnished with the Securities and Exchange Commission by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained under this caption relates to and has been obtained from JPMCB. The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of JPMCB since the date hereof, or that the information contained or referred to in this caption is correct as of any time subsequent to its date.

THE FINANCIAL GUARANTY INSURANCE POLICY AND THE BOND INSURER

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue the Financial Guaranty Insurance Policy relating to both series of the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Financial Guaranty Insurance Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of the Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of the Bonds upon tender by a registered owner thereof.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $8,585,000,000 (unaudited) and statutory capital of $5,251,000,000 (unaudited) as of March 31, 2005. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy

provisions substantially identical to those contained in the Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under this caption "FINANCIAL GUARANTY INSURANCE POLICY AND THE BOND INSURER."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;

2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;

3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;

4. The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005; and

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "—Available Information."

DEBT SERVICE REQUIREMENTS

The following table sets forth for each bond year ending December 31 the amounts required to be made available for the payment of debt service on the Prior Bonds (excluding the Refunded 1998 Bonds) and the Bonds, at maturity or by mandatory sinking fund redemption.

Parkview Health Total Debt Service

Bond Year Ending	Series 2005A Bonds			Series 2005B Bonds			Prior Bonds Debt Service (3)	Bonds and Prior Bonds Debt Service
	Principal	Interest (1)	Debt Service	Principal	Interest (2)	Debt Service		
12/31/05	$ 0	$ 1,558,750	$ 1,558,750	$ 580,000	$ 814,061	$ 1,394,061	$ 9,121,217	$ 12,074,028
12/31/06	1,800,000	4,331,827	6,131,827	505,000	2,250,165	2,755,165	18,727,576	27,614,568
12/31/07	1,900,000	4,270,308	6,170,308	525,000	2,234,037	2,759,037	18,708,000	27,637,345
12/31/08	2,000,000	4,192,375	6,192,375	550,000	2,210,748	2,760,748	18,554,876	27,507,999
12/31/09	2,000,000	4,134,694	6,134,694	1,905,000	2,195,637	4,100,637	17,279,148	27,514,480
12/31/10	2,100,000	4,065,017	6,165,017	1,890,000	2,133,821	4,023,821	17,384,721	27,573,559
12/31/11	2,000,000	4,069,009	6,069,009	1,835,000	2,111,934	3,946,934	17,475,901	27,491,845
12/31/12	2,200,000	3,911,520	6,111,520	1,880,000	2,007,277	3,887,277	17,549,609	27,548,406
12/31/13	2,200,000	3,846,115	6,046,115	1,870,000	1,951,880	3,821,880	17,855,851	27,723,846
12/31/14	2,300,000	3,769,497	6,069,497	1,715,000	1,891,554	3,606,554	17,608,669	27,284,721
12/31/15	2,300,000	3,689,680	5,989,680	1,570,000	1,836,236	3,406,236	17,854,929	27,250,845
12/31/16	2,300,000	3,668,742	5,968,742	1,560,000	1,814,200	3,374,200	18,208,149	27,551,091
12/31/17	2,500,000	3,527,811	6,027,811	2,020,000	1,732,188	3,752,188	18,654,388	28,434,387
12/31/18	2,600,000	3,442,474	6,042,474	2,095,000	1,667,688	3,762,688	17,973,210	27,778,372
12/31/19	2,600,000	3,352,245	5,952,245	2,170,000	1,599,475	3,769,475	17,969,097	27,690,817
12/31/20	2,700,000	3,252,640	5,952,640	2,255,000	1,524,526	3,779,526	17,995,415	27,727,581
12/31/21	2,800,000	3,167,776	5,967,776	0	1,461,292	1,461,292	21,083,434	28,512,503
12/31/22	3,000,000	3,128,056	6,128,056	5,740,000	1,471,615	7,211,615	14,745,503	28,085,174
12/31/23	3,100,000	2,963,587	6,063,587	5,980,000	1,255,987	7,235,987	14,753,486	28,053,060
12/31/24	3,300,000	2,849,579	6,149,579	6,190,000	1,062,063	7,252,063	14,753,805	28,155,447
12/31/25	3,400,000	2,742,772	6,142,772	6,420,000	863,504	7,283,504	14,764,801	28,191,077
12/31/26	3,500,000	2,624,510	6,124,510	6,650,000	654,467	7,304,467	14,764,799	28,193,776
12/31/27	3,600,000	2,502,777	6,102,777	6,885,000	437,950	7,322,950	14,768,445	28,194,172
12/31/28	3,700,000	2,414,975	6,114,975	7,140,000	213,105	7,353,105	14,758,147	28,226,227
12/31/29	3,900,000	2,248,631	6,148,631	0	0	0	8,151,917	14,300,548
12/31/30	3,700,000	2,113,829	5,813,829	0	0	0	21,936,312	27,750,141
12/31/31	3,800,000	1,985,156	5,785,156	0	0	0	21,943,670	27,728,826
12/31/32	26,400,000	1,786,922	28,186,922	0	0	0	0	28,186,922
12/31/33	27,300,000	870,870	28,170,870	0	0	0	0	28,170,870
TOTAL[4]	$ 125,000,000	$ 90,482,144	$ 215,482,144	$ 69,930,000	$ 37,395,410	$ 107,325,410	$ 455,345,075	$ 778,152,633

(1) The interest rate on the Series 2005A Bonds is assumed to be equal to 3.48% per annum (the fixed interest rate payable by the Obligors under the Series 2005A Confirmation) and does not include remarketing fees or liquidity fees.

(2) The interest rate on the Series 2005B Bonds is assumed to be equal to 3.256% per annum (the fixed interest rate payable by the Obligors under the Series 2005B Confirmation) and does not include remarketing fees or liquidity fees.

(3) The interest rate on the 2001 Bonds is assumed to be equal to 3.64% per annum (the fixed interest rate payable by the Obligors under the 2001 Master Agreement) and does not include broker dealer or auction agent fees.

(4) Totals may vary due to rounding.

HISTORIC AND PRO FORMA FINANCIAL RATIOS

Debt Service Ratios

The System's Long-Term Debt Service Coverage Ratio, Maximum Annual Debt Service as a Percent of Total Operating Revenues, and the System's Long-Term Indebtedness as a Percent of Total Capitalization, are set forth below for the years ended December 31, 2003 and 2004, the unaudited four-month period ended April 30, 2005 and for the year ended December 31, 2004 and the unaudited four-month period ended April 30, 2005 on a pro forma basis, assuming issuance of the Bonds on January 1, 2005. Performance through April 30, 2005 is not an assurance of and may not be indicative of performance for the fiscal year ended December 31, 2005. Past performance is not an assurance of and may not be indicative of future performance. The chart below reflects the Bonds issued at an interest rate of 3.48% per annum with respect to the Series 2005A Bonds (the fixed interest rate payable by the Obligors under the Series 2005A Confirmation) and 3.256% per annum with respect to the Series 2005B Bonds (the fixed interest rate payable by the Obligors under the Series 2005B Confirmation). These assumed interest rates do not include remarketing fees or liquidity fees. Further, these assumed interest rates are not calculated in accordance with the provisions of the Master Indenture. The net operating revenues of the Obligated Group comprises approximately 82% of net operating revenue of the System.

(In thousands)

	December 31, 2003	December 31, 2004	Pro Forma December 31, 2004	April 30, 2005	Pro-Forma April 30, 2005
Net Excess of Revenues over Expenses	$ 28,038	$ 50,966	$ 53,941	$ 14,712	$ 15,508
Depreciation and Amortization	33,223	35,929	35,929	13,876	13,876
Interest Expense	15,725	15,195	17,845	4,865	5,942
Income Available for Debt Service (A)	$ 76,986	$ 102,090	$ 107,715	$ 33,453	$ 35,326
Maximum Annual Debt Service (B)	**$ 22,455**	**$ 22,455**	**$ 28,512**	**$ 7,485****	**$ 9,504**
Long-Term Debt Service Coverage Ratio (A)÷(B)	3.4	4.5	3.8	4.5	3.7
Total Operating Revenues (C)[1]	$ 565,002	$ 613,177	$ 618,802	$ 216,130	$ 218,003
Maximum Annual Debt Service as a Percent of Total Operating Revenues (B)÷(C)	4.0%	3.7%	4.6%	3.5%	4.3%
Long-Term Indebtedness (D)[2]	$ 346,165	$ 339,573	$ 464,573	$ 340,210	$ 465,210
Unrestricted Net Assets	456,545	508,601	511,576	505,655	506,451
Total Capitalization (E)	$ 802,710	$ 848,174	$ 976,149	$ 845,865	$ 971,661
Long-Term Indebtedness as a Percent of Total Capitalization (D)÷(E)	43.1%	40.0%	47.6%	40.2%	47.9%

** Four-twelfths of Maximum Annual Debt Service.

1 Includes investment income.

2 Excludes current portion of Long-Term Indebtedness.

Historic and Pro Forma Liquidity

The following table sets forth the liquidity of the System as of December 31, 2003, December 31, 2004 and April 30, 2005, and on a pro forma basis as of April 30, 2005 (assuming the issuance of the Bonds on January 1, 2005, excluding the impact of bond issuance costs). The table also shows the cushion ratio of total unrestricted cash and investments to debt service and the cushion ratio of total unrestricted cash and investments to maximum annual debt service prior to issuance of the Bonds and assuming issuance of the Bonds on the conditions set forth in the chart above.

	(In Thousands)			
	December 31, 2003	December 31, 2004	April 30, 2005	Pro forma April 30, 2005[1]
Cash and Cash Equivalents	$ 36,439	$ 34,812	$ 30,577	$ 30,577
Board-Designated Investments[2]	446,846	481,089	466,302	560,675
Total Unrestricted Cash and Investments	$ 483,285	$ 515,901	$ 496,879	$ 590,675
Days Cash on Hand[3]	350 days	358 days	315 days	376 days
Maximum Annual Debt Service	$ 22,455	$ 22,455	$ 22,455	$ 28,512
Cushion Ratio[4]	21.5	23.0	22.1	20.7

1 Assumes addition of $93 million in reimbursement to the Obligated Group from the proceeds of the Bonds.

2 Excludes fair value of interest rate swaps.

3 Calculated as Total Unrestricted Cash and Investments divided by an amount equal to total operating expenses less depreciation, amortization divided by 365. (Includes interest expense.)

4 Calculated as Total Unrestricted Cash and Investments divided by Maximum Annual Debt Service.

PLAN OF FINANCE

The Project

Approximately $93,000,000 of the proceeds from the sale of the Bonds will be used by the Obligors to reimburse the cost of buildings, machinery, equipment, fixtures and other capital assets, and the remainder of the proceeds deposited to the Project Account of the Project Fund will be used to finance the cost of additional buildings, machinery, equipment, fixtures and other capital assets, including capitalized interest (the "Project"). The Project includes, among other things (i) reimbursing the cost of construction for the heart institute at Parkview Hospital, reimbursing the cost of construction of Noble Hospital, and reimbursing the cost of construction of additional surgery rooms for the orthopedic hospital and (ii) constructing additional operating rooms for and an addition to the orthopedic hospital, relocation of the gynecological, obstetrics and neonatal services to the north campus of Parkview Hospital and constructing an ambulatory surgery center on the north campus of Parkview Hospital. See APPENDIX A hereto.

Refunding of the Refunded 1998 Bonds

In order to provide for the advance refunding of the Refunded 1998 Bonds, the Authority will deposit with U.S. Bank National Association, as escrow agent (the "Escrow Agent"), a portion of the proceeds from the sale of the Bonds. A portion of such amounts deposited with the Escrow Agent will be used to purchase United States Treasury Securities - State and Local Government Series (the "Government Obligations"). The Government Obligations, together with interest thereon, plus an amount of cash which will remain uninvested, will be sufficient to pay all principal, redemption premium and interest, as applicable, coming due on the Refunded 1998 Bonds on each payment date after the delivery of the Bonds to and including the redemption date of November 15, 2009. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Interest Rate Swaps

In anticipation of the issuance of the Bonds, the Obligors entered into the Series 2005A Confirmation and the Series 2005B Confirmation pursuant to the 2003 Master Agreement. The obligations of the Obligors to the Swap Provider will be secured by the Series 2005A Swap Note and the Series 2005B Swap Note.

The Series 2005A Confirmation is written in a notional amount of $125,000,000 and declining on the first Wednesday of each November, commencing November 1, 2006 through November 1, 2033, to match the annual mandatory sinking fund redemption and final maturity date of the Series 2005A Bonds. The Series 2005A Confirmation requires the Obligors to pay the Swap Provider on the first Wednesday of each month commencing August 3, 2005, a fixed rate amount equal to interest on such notional amount for the preceding monthly period at the rate of 3.48% per annum; and the Swap Provider is required to pay to the Obligors, on each such day, interest on the notional amount for the preceding monthly period at a rate equal to the sum of 62.40% of LIBOR (with a one month designated maturity) plus 0.29%.

The Series 2005B Confirmation is written in a notional amount of $69,930,000 and declining on the first Wednesday of each November, commencing November 2, 2005 through November 1, 2028, to match the annual mandatory sinking fund redemption and final maturity date of the Series 2005B Bonds. The Series 2005B Confirmation requires the Obligors to pay the Swap Provider on the first Wednesday of each month commencing August 3, 2005, a fixed rate amount equal to interest on such notional amount for the preceding monthly period at the rate of 3.256% per annum; and the Swap Provider is required to pay to the Obligors, on each such day, interest on the notional amount for the preceding monthly period at a rate equal to the sum of 62.40% of LIBOR (with a one month designated maturity) plus 0.29%.

The 2003 Master Agreement, the Series 2005A Confirmation and the Series 2005B Confirmation do not affect or alter any of the obligations of the Obligated Group with respect to the payment of principal of or interest on the Bonds or the Series 2005 Notes, and neither the owners of the Bonds nor any person other than the Obligors will have any rights under the 2003 Master Agreement, the Series 2005A Confirmation and the Series 2005B Confirmation or against the Swap Provider.

For a discussion of certain of the risks associated with the interest rate swap agreements, see "BONDHOLDERS' RISKS—Interest Rate Swap Risk."

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Bonds.

Uses:		**Amount**
Deposit to Project Account of Project Fund[1]	$	122,631,300
Deposit to Refunding Account of the Project Fund		68,137,200
Costs of Issuance[2]		4,161,500
Total Uses:	$	194,930,000
Sources:		
Par Amount of Bonds	$	194,930,000
Total Sources	$	194,930,000

[1] Includes a portion of interest due on the Bonds during construction.

[2] Includes legal, printing, underwriting discount, bond insurance premium and other miscellaneous costs of issuance.

BONDHOLDERS' RISKS

The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain of these risks are described below. **Risks discussed in terms of their possible effect on the System and/or the Obligated Group may also affect any future Obligated Group Members and any future Designated Affiliates**. The discussion of risk factors is not meant to be exhaustive.

The ability of the Obligated Group, and any future Member of the Obligated Group or Designated Affiliate, to realize revenues in amounts sufficient to pay debt service on the Bonds when due is affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No representation or assurance is given or can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay debt service when due on the Bonds. The risk factors discussed below should be considered in evaluating the Obligated Group's ability to make payments due under the Bond Indenture, the Loan Agreement and the Series 2005 Notes in amounts sufficient to provide for payment of the principal of and interest on the Bonds.

Risks Pertaining to the Substitution of Series 2005 Notes

Under circumstances described in the Indenture, the Series 2005 Notes may be exchanged for the obligations of a different obligated group. This could, under certain circumstances, lead to the substitution of different security in the form of a note backed by an obligated group that is financially and operationally different than the then current members of the Obligated Group. Such new obligated group could have substantial debt outstanding that would rank on a parity with the substitute notes. Such exchange could adversely affect the market price for and marketability of the Bonds. In order to so exchange the Series 2005 Notes, the Obligated Group must meet certain tests and requirements, as described in APPENDIX C hereto under the caption, "SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED INDENTURE—Substitution of Master Notes."

Additional Debt

The Master Indenture permits the issuance of additional Notes on a parity with the Series 2005 Notes and also permits incurrence of other Additional Indebtedness by the Obligated Group. See the information in APPENDIX C hereto under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED MASTER INDENTURE—Other Covenants of the Members," and "—Permitted Additional Indebtedness." See "SECURITY FOR THE BONDS—The Master Indenture" above.

Risks Pertaining to the Hospital and Health Care Industry

The Members of the Obligated Group are health care providers which derive significant portions of their revenues from Medicare, Medicaid and other third party payor programs. The Members of the Obligated Group and any future Obligated Group Members and Designated Affiliates are subject to governmental regulations applicable to health care providers and the receipt of future revenue by the Members of the Obligated Group and any future Obligated Group Members and Designated Affiliates are subject to, among other factors, federal and state policies affecting the health care industry and other conditions which are impossible to predict. The effect on the Members of the Obligated Group and any future Obligated Group Members and Designated Group Affiliates of recently enacted laws and regulations, of future changes in federal and state laws and policies and changes in third party payor policies cannot be fully or accurately determined at this time.

In addition, the receipt of future revenues by the Members of the Obligated Group and any future Obligated Group Members and Designated Group Affiliates are subject to changes in future economic and other conditions, including, without limitation, increased competition, inflation, the emergence of specialty hospitals, demand for hospital services, the capability of management of the Members of the Obligated Group and any future Obligated Group Members and Designated Group Affiliates, the ability of the Members of the Obligated Group and any future Obligated Group Members and Designated Affiliates to provide the services required or requested by patients,

physicians' confidence in the Members of the Obligated Group and any future Obligated Group Members and Designated Affiliates, employee relations and unionization, malpractice claims and other litigation, demographic changes and other factors. Such factors may adversely affect revenues and, consequently, payment of the principal of, premium, if any, and interest on the Bonds.

The following discussion of risk factors is not intended to be exhaustive, and should be read in conjunction with all other parts of this Official Statement.

Federal and State Regulation and Legislation

General. A significant portion of the revenues of the System is derived from Medicare, Medicaid, Blue Cross Blue Shield and other third-party payor programs. Significant changes have been made, and further changes may be made in certain parts of these programs that affect or could affect the reimbursement rates for health services. These changes could have a material adverse effect upon the System's operations and financial results. Bills have been, and other bills may be, introduced in the Congress of the United States that, if enacted, could have a material adverse effect upon the System's operations and financial results by, for example, decreasing reimbursement by third-party payors, such as Medicare or Medicaid, or limiting the ability of the System to provide services or expand services provided to patients.

Medicare and Medicaid Programs. Medicare and Medicaid are the commonly used names for health care reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, are disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient services and certain other services, and Medicare Part B covers certain physician services, medical supplies and durable medical equipment. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and is administered by an agency of the state involved.

Health care providers have been and will continue to be affected significantly by recent changes in federal health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose and result of these diverse and complex changes have been to create a reduction in the reimbursement rates for health care costs, particularly costs paid to health care providers under the Medicare and the Medicaid programs. Some changes have been implemented and some will be implemented in the future. The following is a summary of the Medicare and the Medicaid programs and certain related risk factors.

Medicare

General. The facilities operated by the System are certified as providers for Medicare services and participate in the Medicare program. As of April 30, 2005, approximately 41.9% of the gross patient revenues of the System were derived from Medicare. As a consequence, any adverse change in Medicare reimbursement could have a material adverse effect upon the System's operations and financial results.

Laws and regulations governing the Medicare and the Medicaid programs are extremely complex and subject to interpretation. The System will have a significant dependence on Medicare as a source of revenue, and changes in the Medicare program are likely to have a material effect on the System. The requirements for Medicare certification and participation are subject to change, and in order to remain qualified for the program, it may be necessary for the System to take action and incur costs from time to time to comply with new requirements for their facilities, equipment, personnel and services. The System intends to continue to participate in the Medicare program.

Medicare Part A pays acute care hospitals for most inpatient services under a payment system known as the "Prospective Payment System" or "PPS." Separate PPS payments are made for inpatient operating costs and inpatient capital-related costs. Some costs, such as depreciation and interest expense, are also paid on the basis of "reasonable cost," subject to certain limits.

Inpatient Operating Costs. Acute care hospitals are paid a specified amount towards their operating costs based upon the Diagnosis Related Group ("DRG") to which each Medicare patient is assigned, which is determined by the diagnosis and procedure and other factors for each particular inpatient stay. The amount paid for each DRG is established prospectively by the Centers for Medicare and Medicaid Services, formerly known as the Health Care Finance Administration or HCFA ("CMS"), and is not directly related to a hospital's actual costs for a given procedure. For certain Medicare beneficiaries who have unusually costly hospital stays ("outliers"), CMS will provide additional payments above those specified for the DRG. Outlier payments cease to be available upon the exhaustion of a patient's Medicare benefits or a determination that acute care is no longer necessary, whichever occurs first. There is no assurance that any of these payments will cover the actual costs incurred by a hospital.

DRG payments are adjusted annually based upon the hospital "market basket" index, or the cost of providing health care services. Each year (other than 2001) since 1983, Congress has modified the increases and approved substantially less than the increase in the "market basket" index. There is no assurance that future increases in the DRG payments will keep pace with the increases in the cost of providing hospital services. In fact, pursuant to the Balanced Budget Act of 1997 (the "BBA"), the DRG payment increase for fiscal year 1999 was the market basket percentage increase minus 1.9 (-1.9)% for all hospitals in all areas. For fiscal year 2000, it was market basket minus 1.8 (-1.8)%. The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 ("BIPA"), which was signed into law in December 2000, provides certain givebacks to hospitals to alleviate the effect of the BBA. Specifically, from October 1, 2000, through March 31, 2001, the payment update was the market basket index minus 1.1 (-1.1)%, but changed to market basket index plus 1.1% for the remainder of federal fiscal year 2001. The payment update for federal fiscal year 2002 and 2003 was the market basket index minus 0.55 (-0.55%). The payment update for federal fiscal year 2004 and for subsequent years is the market basket index for prospective payment hospitals.

The Secretary of the United States Department of Health and Human Services ("HHS") is required to review annually the DRG categories to take into account any new procedures, to reclassify DRGs and to recalibrate the DRG relative weights that reflect the relative hospital resources used by hospitals with respect to discharges classified within a given DRG category. There is no assurance that the System will be paid amounts that will reflect adequately changes in the cost of providing health care or in the cost of health care technology being made available to patients. CMS may only adjust DRG weights on a budget-neutral basis.

Certain hospitals and inpatient psychiatric and rehabilitation units are exempted from PPS and are reimbursed on a "reasonable cost" basis, subject to the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") rate of increase ceiling on inpatient costs per discharge. Under this system, if an exempt hospital or distinct unit of a hospital is operated at costs less than the established TEFRA rate, the hospital is paid under the BBA an incentive payment equal to the amount of such operating costs plus 15% of the amount by which the target amount exceeds the amount of the operating costs, or 2% of the target amount, whichever is less. The BBA also provides for the gradual elimination of these "cost based" reimbursement systems. In accordance with a proposed rule published on November 3, 2000, inpatient rehabilitation services began to be converted to a prospective payment system ("PPS") during a two-year transition period commencing with cost reporting periods beginning on or after April 1, 2000. Pursuant to the Omnibus Budget Bill, however, a rehabilitation facility may elect to be paid entirely under the PPS and avoid the transition period. Inpatient psychiatric services will be converted to a PPS for cost reporting periods beginning on or after October 1, 2002.

Capital Costs. Effective for cost reporting periods beginning on or after October 1, 2001, hospitals are reimbursed on a fully prospective basis for capital costs (including depreciation and interest) related to the provision of inpatient services to Medicare beneficiaries. Capital costs, therefore, are reimbursed exclusively on the basis of a standard federal rate (based upon average national costs), subject to certain hospital-specific adjustments (such as for disproportionate share, indirect medical education and outlier cases). Prior to October 1, 2001, hospitals were paid on the basis of a blend of hospital-specific costs and the standard federal rate. A hospital may qualify for "hold harmless" payments for its capital costs under special rules for capital projects undertaken prior to 1991. The BBA reduced the federal rate by 17.78% for all discharges after October 1, 1997, and before October 1, 2002. This reduction applies to the federal rate before the application of the adjustment factors for outliers, exceptions and budget neutrality. The BBA also rebased capital payment rates in fiscal year 1998 using fiscal year 1995 rates, and further reduced the capital payment rate by 2.1%. The BBA also reduced capital payments for PPS-exempt units to 85% of reasonable costs.

There can be no assurance that the prospective payments for capital costs will be sufficient to cover the actual capital-related costs of the System allocable to Medicare patient stays or to provide adequate flexibility in meeting the System's future capital needs.

Funded Depreciation Accounts. Hospitals may maintain "funded depreciation accounts," which consists of board-designated funds set aside for the replacement of depreciated assets or for other capital purposes. The Medicare program imposes certain requirements on the use and maintenance of these funded depreciation accounts. Failure to use and maintain these accounts in accordance with the Medicare requirements may result in disallowances of reimbursement for certain interest expenses. The hospitals in the System may from time to time make use of money in their funded depreciation accounts for a variety of purposes. Because the related regulations are numerous and complex, there can be no assurance that the Medicare program will not, as a consequence of these uses, disallow interest expense in amounts that could be material to the operations and financial condition of the System.

Disproportionate Share Adjustments Under PPS, hospitals that serve a disproportionate share of low-income patients may receive an additional disproportionate share hospital ("DSH") adjustment. A hospital may be classified as a DSH hospital based upon any of several circumstances related to the number of beds, the hospital's location, and its disproportionate low-income patient percentage. The DSH adjustment is calculated under one of several methods, depending upon the basis for the hospital's classification as a DSH hospital. The BBA, as further amended by the BIPA, mandated reductions in DSH payments of 1% in fiscal year 1998, 2% in fiscal year 1999, 3% in fiscal year 2000, 2% in fiscal year 2001 and 3% in fiscal year 2002, with no adjustment in fiscal year 2003 and each year thereafter. The Omnibus Budget Bill also included additional DSH payments for certain providers in federal fiscal year 2001. The Secretary of HHS is required under the BBA to develop a new formula for calculating DSH payments. There can be no assurance that DSH payments will not be decreased or eliminated in the future. Because certain hospitals in the System routinely serve a disproportionate share of low-income patients, and such payments account for a significant portion of the System's gross revenues, such changes could have a material adverse effect upon the System's operations and financial results.

Outpatient Services. Section 1833(t) of the Social Security Act provides for a PPS method of reimbursement for hospital outpatient services, including hospital operating and capital costs. CMS published a final rule implementing this section on April 7, 2000. The effective date of this rule was August 1, 2000. Several Medicare Part B services are specifically excluded from this rule, including certain physician and non-physician, ambulance, physical and occupational therapy, speech language pathology and diagnostic laboratory services.

Under the hospital outpatient PPS, predetermined amounts are paid for designated services furnished to Medicare beneficiaries. CMS classifies outpatient services and procedures that are comparable clinically and in terms of resource use into ambulatory payment classification ("APC") groups. Using hospital outpatient claims data from calendar year 1996 and data from the most recent available hospital cost reports, CMS determines the median costs for the services and procedures in each APC group. In addition to the APC rate, there is a predetermined beneficiary coinsurance amount for each APC group. There can be no assurance that the hospital outpatient PPS rate, which bases payment on APC groups rather than on individual services, will be sufficient to cover the actual costs of the System allocable to Medicare patient care.

Physician Services. Certain physician services are reimbursed on the basis of a national fee schedule called the "resource based-relative value scale" ("RB-RVS"). The RB-RVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. The BBA established a new limit on the growth of Medicare payments for physician services. The "Sustainable Growth Rate" ("SGR") replaces the "Volume Performance Standard" ("VPS"). The Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "MMA") amended the statutes to require the Secretary to evaluate the SGR. The SGR system was intended to control the volume of physician services and hence total expenditures for physician services by setting the update (change in unit payment for the year) for physician services. SGR is based on changes in the number of beneficiaries in the Medicare fee-for-service program, input prices, law and regulation, and gross domestic product ("GDP"). The GDP, the measure of goods and services produced in the United States, is used as a benchmark of how much growth in volume society can afford. The SGR compares actual spending to target spending. The SGR formula has produced updates that in some years have been too high and in others too low.

Consistently, the Medicare Payment Advisory Commission ("MedPAC") has raised concerns about the SGR when it has set updates both above and below the change in input prices. The current projection is that annual updates of negative five percent will occur for seven consecutive years. These projections make legislative alternatives to SGR very expensive.

Skilled Nursing Care Services. Medicare Part A reimburses for certain post-hospital inpatient skilled nursing and rehabilitation care for up to 100 days during the same spell of illness. The federal government recently implemented a PPS for Medicare reimbursement to shift more of the financial risk of the cost of long-term care from the federal government to the provider. The prior system was a retrospective cost-based system.

The PPS is based upon historical costs and resource utilization of the residents. Geographic variations in labor costs are also considered. The PPS applies to cost report periods beginning on or after July 1, 1998. For the first three years of implementation (referred to as the "Transition Period"), the prospective payment was a blend of a "facility-specific per diem rate" and an "adjusted federal per diem rate." Under the BIPA, a facility could elect immediate transition to the federal rate, effective for cost reporting periods beginning October 1, 2000.

In addition to the PPS, the BBA enacted consolidated billing for certain Medicare Part B services. Under consolidated billing, the Part B payment will be made to the facility whether the item or service was furnished by the facility or by others under arrangement. The services excluded from the consolidated billing requirement include physician services, physician services provided by a physician's assistant, a nurse practitioner or certified nurse specialist, nurse-midwife services, certain dialysis supplies, erythropoietin for dialysis patients and transportation costs for electrocardiogram equipment. Effective October 1, 2001, consolidated billing requirements are limited to Part A services and Part B therapy services furnished to residents in Part A-covered stays.

Home Health Care Services. Historically, Medicare reimbursed home health agencies for both operating and capital expenses incurred in providing each covered home health service on a reasonable cost basis, subject to certain limits. The BBA, however, required the Secretary of HHS to develop a prospective payment system for all home health services ("Home Health PPS"). On July 3, 2000, CMS published the final rule, effective October 1, 2000, implementing Home Health PPS. Under the rule, Medicare pays home health agencies for 60-day episodes of care and reimburses agencies at higher rates for beneficiaries with greater needs. Home Health PPS uses national payment rates that range from about $1,100 to $5,900, depending upon the intensity of care required by each beneficiary, adjusted to reflect area wage differences. Medicare also pays an agency 60% of the initial episode payment when the agency accepts new Medicare patients as part of a streamlined approval process. Under the rule, Medicare pays home health agencies: (1) for an unlimited number of medically necessary episodes of care; (2) at a higher rate to care for those with greater needs; payment rates are based upon relevant data from patient assessments conducted by clinicians (who do not have to be physicians), as already required for all Medicare-participating home health agencies; (3) based upon verbal orders on the initial billing; and (4) other suppliers separately for medically necessary durable medical equipment provided under the home health plan of care (in the Balanced Budget Refinement Act of 1999 ("BBRA"), Congress eliminated an earlier law that would have required agencies to bill for this equipment, even if outside suppliers provided it).

Ambulatory Surgical Center Services. Medicare pays for ambulatory surgical center ("ASC") services on the basis of prospectively determined rates. These rates are updated annually by the consumer price index ("CPI"). The BBA set the updates for fiscal year 1998 through fiscal year 2001 at the increase in the CPI minus 2%, but not below zero. The BBRA requires phasing-in over three years new ASC rates based upon pre-1999 survey data. Pursuant to the BIPA, the HHS Secretary could not implement the revised prospective payment system for ASCs before January 1, 2002. The MMA revised the Secretary's guidelines for determining ASC payments. Effective April 1, 2004, the rates were updated ascending to the CPI-U (All Urban Consumers US City Average) estimated as of March 31, 2003, minus 3.0 percentage points. In the last fiscal quarter of 2005 and the calendar years 2006 through 2009, the update will be 0%. The Secretary will then revise the payment system for ASC surgical services. The Secretary is required to implement the changes on or after January 1, 2006, and not later than January 1, 2008. In the MMA, Congress instructed CMS to prohibit physician-investor referrals to specialty hospitals for a period of 18 months, ending June 8, 2005, unless the hospitals were already under development as of November 18, 2003. During the moratorium, MedPAC and HHS conducted separate studies, with MedPAC focusing on payment issues raised by specialty hospitals, and HHS focusing on referral patterns, quality of care, and impact of the provision on

uncompensated care. MedPAC submitted its report and recommendations on March 8, 2005 and HHS submitted its report and recommendations on May 12, 2005. In its May 12, 2005 report, CMS outlined four recommendations concerning specialty hospitals. Specifically, CMS recommended redefining payment rates for ASC services. Payment reforms are expected by January 2008.

Graduate Medical Education. Medicare reimburses teaching hospitals for the direct and indirect costs of their approved graduate medical education ("GME") programs. Medicare reimburses direct GME costs, which include resident salaries, fringe benefits and physician compensation costs for teaching activities, based upon the hospital's "cost per resident," as determined in the hospital's base year (and as defined in the regulations). Medicare pays hospitals an additional amount for indirect GME costs, which include costs attributable to increased diagnostic testing and higher staffing ratios. The BBA provides for reductions in payments for both direct and indirect GME payments.

The MMA states that the geographically adjusted national average will not be updated from fiscal year 2004 through fiscal year 2013 for hospitals with resident amounts above 140%.

Provider-Based Standards. CMS issued in its hospital outpatient PPS rule, published April 2000, specific standards related to whether an entity qualifies as "provider-based" rather than "freestanding." The new standards make it more difficult to qualify as "provider-based" and are aimed at stemming the proliferation of entities characterized as "provider-based." Those standards are applicable for provider cost reporting periods beginning on or after January 10, 2001. The Omnibus Budget Bill further restricts the application of those rules for certain entities. These standards may lead to the reclassification of entities now characterized as "provider-based" to "freestanding." Such a reclassification may adversely affect the entity's reimbursement under the Medicare program. Management believes the new standards have not resulted in any material adverse effect upon the Hospital's operations and financial results.

Medicare Advantage (formerly Medicare+Choice). Part C of the Social Security Act established under the BBA allows Medicare beneficiaries (other than those suffering from end stage renal disease) to obtain Medicare coverage under the original fee-for-service Medicare program (paid under Medicare Parts A and B), or under a Medicare+Choice plan. The MMA redesigned the Medicare+Choice program, and renamed it "Medicare Advantage." A Medicare Advantage plan may be offered by a coordinated care plan (such as an HMO or PPO, as defined herein), a provider sponsored organization ("PSO") (a network operated by health care providers rather than an insurance company), a private fee-for-service plan, or a combination of a medical savings account ("MSA") and contributions to a Medicare Advantage plan. Each Medicare Advantage plan, except an MSA plan, is required to provide benefits approved by the Secretary of HHS. A Medicare Advantage plan will receive a capitated monthly payment from HHS for each Medicare beneficiary who has elected coverage under the plan. Health care providers such as the System's hospitals must contract with Medicare Advantage plans to treat Medicare Advantage enrollees at agreed upon rates or may form a PSO to contract directly with HHS as a Medicare Advantage plan. Covered inpatient emergency services rendered to a Medicare Advantage beneficiary by a hospital that is an out-of-plan provider (that is, that has not entered into a contract with a Medicare Advantage plan) will be paid at Medicare fee-for-service payment rates as payment in full.

Payments for direct and indirect GME are "carved out" of the payments to Medicare Advantage plans for five years; during that time an additional payment will be made to hospitals for direct GME and for indirect medical education costs with respect to Medicare managed care enrollees for cost reporting periods beginning on or after January 1, 1998. DSH payments, however, will not be carved out of the Medicare Advantage plan payment.

Several Medicare Advantage plans have been abandoned in other markets and such programs nationally have enjoyed only limited success. There can be no assurance that rates negotiated for the treatment of Medicare Advantage enrollees will be sufficient to cover the cost of providing services to such patients of the System's hospitals.

Beginning January 1, 2004, the payment rule for beneficiaries in a short-term general hospital at the time they either elect to enroll in or to terminate their enrollment in a Medicare Advantage plan, is extended to a beneficiary in a rehabilitation hospital, a distinct-part rehabilitation unit, or a long-term care hospital. For beneficiaries leaving their Medicare Advantage plan while receiving these inpatient hospital services, this provision expands the rule that

disallows payment for such services under fee-for-service payments for inpatient hospitals. Under the expansion, payments are prohibited from any type of payment provision under Medicare for inpatient services, for the type of facility, hospital, or unit involved.

Medicare Audits; Enforcement Actions. Hospitals participating in Medicare are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under the Medicare program. Medicare regulations also provide for withholding Medicare payments in certain circumstances if it is determined that an overpayment of Medicare funds has been made. In addition, under certain circumstances, payments may be determined to have been made as a consequence of improper claims subject to the Federal False Claims Act or other federal statutes, subjecting the System or its hospitals to civil or criminal sanctions. Management of the System is not aware of any situation in which a material Medicare payment is being withheld from the System.

There is an expanding and increasingly complex body of laws, regulations and policies relating to Medicare that is not directly related to Medicare payments. These include reporting and other technical rules, as well as broadly stated prohibitions regarding inducement of business or referrals, all of which carry potentially significant penalties for noncompliance.

Medicaid

General. Medicaid (Title XIX of the federal Social Security Act) is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. It covers approximately 36 million people, including children, the aged, blind, disabled, and individuals who are eligible to receive federally assisted income maintenance payments. Pursuant to broad federal guidelines, the states and the United States territories (Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands) each (1) establish their own eligibility standards; (2) determine the type, amount, duration, and scope of services; (3) set the payment rates for services; and (4) administer their own programs. As an alternative to Medicaid, some states operate under a waiver of some basic Medicaid requirements.

Through the Medicaid program the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for such medical and health services is made to hospitals in an amount determined in accordance with procedures and standards established by state law under federal guidelines. The BBA added language to the Social Security Act that permits states to restrict choice of insurer by offering a choice between at least two managed care organizations or primary care case managers. CMS approval of all managed care organization contracts under the BBA is still required for these programs before federal financial participation and payments may be made under such contracts. In addition to existing requirements, these contracts are subject to new provisions contained in the BBA, including increased beneficiary protections, quality assurance standards, and timely payment requirements.

Under the now-repealed Boren Amendment, a state plan for medical assistance was required to provide for payment of inpatient hospital or nursing facility services through the use of rates that were reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers in order to provide care and services in conformity with applicable state and federal laws and regulations and quality and safety standards.

In 1997, the BBA repealed the Boren requirements and replaced them with a requirement that states implement a public process when changes in payment rates or methodologies are proposed. The BBA allows for cuts in reimbursement to Medicaid health care providers of $1.25 to 1.5 billion over five years. This repeal has not had a significant impact on the System's net revenues. The public process requirement applies to rates established on or after the October 1, 1997, effective date.

Fiscal considerations of both federal and state governments in establishing their budgets will directly affect the funds available to providers for payment of services rendered to Medicaid beneficiaries. Currently, Medicaid nursing facility payments are generally made using one of three payment systems (that is, cost based, per diem or case mix). There is a greater use of prospective payment systems (per diem or case mix) than cost-based systems for nursing facility services. In addition, Medicaid inpatient hospital payments are generally made under a DRG prospective payment system on a per discharge basis. Although the payment systems can be categorized in general terms, the specific methodology varies from state to state.

As of April 30, 2005, Medicaid patients represented approximately 10.7% of the gross patient charges for the System. Certain aspects of the Indiana Medicaid program are provided below.

Indiana Medicaid Program. Since a portion of the Medicaid program's costs in Indiana are paid by the State, the absolute level of Medicaid revenues paid to the System, as well as the timeliness of their receipt, may be affected by the financial condition of and budgetary factors facing the State. The actions the State could take to reduce Medicaid expenditures to accommodate any budgetary shortfalls include, but are not limited to, changes in the method of payment to hospitals, changes in eligibility requirements for Medicaid recipients and delays of payments due to hospitals. Any such action taken by the State could have a material adverse effect upon the System's operations and financial results.

Since November 4, 1994, the Indiana Medicaid program has made payments to hospitals using a DRG system that bases payments on patient discharges. Previously, the Indiana Medicaid program reimbursed hospitals for inpatient services on the basis of the hospital's reasonable costs, as determined under Medicare cost reimbursement principles, and limited such reimbursement by allowing increases in the per discharge target rates based upon certain fiscal year inflationary adjustment percentages.

Effective March 1, 1994, the Indiana Medicaid Program adopted a rule establishing an outpatient payment system that reimburses hospitals based upon established fee schedule allowances and rates for surgery groups. Previously, outpatient reimbursement was made on a prospective reimbursement methodology providing a predetermined percentage based upon an aggregate "cost-to-charge" ratio, with no year-end costs settlement. Consequently, no assurance can be given that Medicaid payments received or to be received by the System will be sufficient to cover costs for inpatient and outpatient services, debt service obligations or other expenses otherwise eligible for reimbursement.

Certain Indiana hospitals that serve a disproportionate share of Medicaid and low-income patients may be eligible to receive "disproportionate share payment adjustments" or "significant disproportionate share payment adjustments" and may qualify for additional enhanced disproportionate share payments, as well as indigent care payments. The disproportionate share adjustment and significant disproportionate share adjustment are percentage add-ons to the regular hospital reimbursements based upon each hospital's Medicaid and low-income patient utilization. The enhanced disproportionate share adjustment provides additional funds to eligible hospitals based upon their Medicaid discharges and patient days. Indigent care payments provide funds for the treatment of eligible individuals based upon each inpatient day.

State Laws and Regulations

States are increasingly regulating the delivery of health care services in response to the federal government's failure to adopt comprehensive health care reform measures. Much of this increased regulation has centered around the managed care industry. State legislatures have cited their right and obligation to regulate and to oversee health care insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers. A number of states, for example, recently have enacted laws mandating a minimum of forty-eight hour hospital stays for women after delivery; laws prohibiting "gag clauses" (contract provisions that prohibit providers from discussing various issues with their patients); laws defining "emergencies," which provide that a health care plan may not deny coverage for an emergency room visit if a lay person would perceive the situation as an emergency; and laws requiring direct access to obstetrician-gynecologists without the requirement of a referral from a primary care physician.

Due to this increased state oversight, the System could be subject to a variety of state health care laws and regulations affecting both managed care organizations and health care providers. In addition, the System could be subject to state laws and regulations prohibiting, restricting or otherwise governing preferred provider organizations, third-party administrators, physician-hospital organizations, independent practice associations or other intermediaries; fee-splitting; the "corporate practice of medicine;" selective contracting ("any willing provider" laws and "freedom of choice" laws); coinsurance and deductible amounts; insurance agency and brokerage; quality assurance, utilization review, and credentialing activities; provider and patient grievances; mandated benefits; rate increases; and many other areas.

In the event that the System chooses to engage in transactions subject to such laws, or is considered by a state in which it operates to be engaging in such transactions, the System may be required to comply with these laws or to seek the appropriate license or other authorization from that state. Such requirements may impose operational, financial, and legal burdens, costs and risks upon the System.

Proposed and Potential Federal and State Legislation

The System is subject to a wide variety of federal regulatory actions and legislative and policy changes by those governmental and private agencies that administer Medicare and Medicaid programs and other third-party payors, and actions by, among others, the Department of Health and Human Services, the Internal Revenue Service, the Office of the Inspector General, the National Labor Relations Board, the Joint Commission on the Accreditation of Healthcare Organizations, the American Osteopathic Association and other federal, state and local governmental agencies. There can be no assurance that such agencies and legislative bodies may not make regulatory or legislative policy changes that could produce adverse effects upon the ability of the System to generate revenues or upon the utilization of its health facilities.

Wide variations of bills and regulations proposing to regulate, control or alter the method of financing healthcare costs are often proposed and introduced in Congress, state legislatures and regulatory agencies. Legislation or regulatory actions have been enacted, proposed or discussed which would, among other things:

- Condition the use of tax-exempt financing and the receipt of certain Medicare funding on hospital acceptance of Medicaid patients;
- Condition tax exemption on furnishing a full-time emergency room and deny tax exemption for any period of time during which a hospital's Medicare provider agreement is terminated or suspended due to a violation of the emergency medical screening and transfer requirements;
- Condition tax exemption on provision of certain levels of charity care;
- Set new standards for medical staff peer review, potentially increasing hospital exposure to litigation and liability regarding medical staff disputes;
- Prohibit many hospital-physician joint business ventures that are typical of the healthcare industry, and limit the permissibility of many other hospital-physician employment, contractual and business relationships;
- Effectively reintroduce a new federally mandated health planning process through which capital improvements would require more extensive government approval;
- Prohibit patient referral arrangements for items or services between physicians and providers in which referring physicians have certain financial interests;
- Increase the probability of labor union organization and activity in the healthcare industry;
- Restrict rate increases by private hospitals;
- Shift funding for Medicaid to block grants to the states; and
- Impose provider taxes on hospitals at the federal level or in one or more states.

This list is not comprehensive, and there could be new proposals or regulatory approaches introduced. Because of the many possible financial effects that could result from enactment of any bills or regulatory actions proposing to regulate the healthcare industry, it is not possible to predict the effect on the System's operations or financial results of such bills or regulatory actions.

Federal Medicare/Medicaid Anti Fraud and Abuse Laws

The Federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (also referred to as the "Anti-Kickback Law") prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration in order to induce business for which reimbursement is provided under the Medicare, Medicaid and other federal health care programs, including any program or plan funded in whole or in part by the federal government (except the federal employee health benefit program). The scope of prohibited payments under the Anti-Kickback Law is so broadly drafted (and so broadly interpreted by several applicable federal cases and in statements by officials of the HHS Office of Inspector General ("OIG")) that they may create liability in connection with a wide variety of business transactions and other hospital-physician relations that have been traditional or commonplace within the health care industry including the System. Limited statutory exceptions and "safe harbor" regulations define a narrow scope of activities that will be exempted from prosecution or other enforcement action. Activities that fall outside of the safe harbor rules include a wide range of activities frequently engaged in between hospitals and physicians and other third parties.

Because the regulations describe safe harbors and do not purport to describe comprehensively all lawful or unlawful economic arrangements or other relationships between health care providers and referral sources, hospitals and other health care providers having these arrangements or relationships may be required to alter them in order to ensure compliance with the Anti-Kickback Law. The failure of an arrangement to meet a safe harbor's requirements does not mean that the arrangement violates the Anti-Kickback Law. Such an arrangement may be subject to closer scrutiny than an arrangement that complies with a safe harbor.

Violations of the Medicare anti-fraud and abuse laws may result in civil and criminal penalties. Civil penalties for violations of the anti-fraud provisions include temporary or permanent exclusion from the Medicare and the Medicaid programs (which accounts for a significant portion of revenue and cash flow of most hospitals, including the hospitals in the System). In addition to the civil monetary penalties under the Anti-Kickback Law, the BBA created a new civil monetary penalty for violations of the Anti-Kickback Law for cases in which a person contracts with an excluded provider for the provision of health care items or services where the person knows or should know that the provider has been excluded from participation in a federal health care program. Violations result in damages of three times the remuneration involved as well as a penalty of $50,000 per violation.

If determined adversely to the System's hospitals, any enforcement action could have a material adverse effect upon the System's operations and financial results. These penalties may be applied to many situations in which hospitals and physicians conduct joint business activities, physician recruiting and retention programs, various forms of hospital assistance to medical practices or the physician contracting entities, physician referral services, hospital physician service or management contracts, and space or equipment rentals between hospitals and physicians. The System's hospitals will likely conduct many activities of these general types or similar activities, which may pose varying degrees of risk. Much of that risk cannot be assessed accurately due to the lack of case law or material guidance by the HHS Office of Inspector General, which is charged with enforcement.

Hospitals often engage in programs that waive certain Medicare coinsurance or deductible amounts. Many such waiver programs may be considered to be in violation of certain rules and policies applicable to the Medicare program and may be subject to enforcement action. The extent to which challenges or prosecutions of hospitals involved in these programs may be initiated is uncertain, as is the ultimate outcome. If an agency or court were to conclude that such waivers violated applicable laws or regulations and the System's hospitals were found to engage in such programs, there is a possibility that the System's hospitals could be excluded from participation in the Medicare and the Medicaid programs; be assessed fines and penalties, which could be substantial; and that Medicare payments might be withheld from the System's hospitals.

Medicare also requires that certain financial information be reported on a periodic basis, and with respect to certain types of classifications of information, penalties are imposed for inaccurate reports. These requirements are numerous, technical and complex and there can be no assurance that the System's hospitals may not incur such penalties in the future. With respect to certain types of classifications of information, the False Claims Act and other similar laws may be violated merely by reason of inaccurate or incomplete reports if it is determined that the entity submitting such claims or reports knew or should have known that such reports were incorrect. As a consequence, errors or omissions made in the ordinary course of business may result in liability. New billing systems, new

medical procedures and procedures for which there is not clear guidance from CMS or other regulatory authorities may all result in liability under federal false claim prohibitions, including the False Claims Act and other similar laws. These penalties may have a material adverse effect upon the System's operations and financial results, and could include criminal or civil liability for making false claims and exclusion from participation in the Medicare program.

The False Claims Act provides that a private individual may bring a civil action on behalf of the United States government. These actions are referred to as *Qui Tam* actions. By initiating a *Qui Tam* action, an individual could sue a hospital on behalf of the U.S. government if the individual believes that the hospital has committed fraud. If the government proceeds with an action brought by the individual, then the individual could receive as much as 25% of any money recovered. Future *Qui Tam* actions could be brought against any of the System's hospitals.

"Self-Referral" Prohibitions

The Omnibus Budget Reconciliation Act of 1993 (the "1993 Budget Act") expanded the scope of provisions originally enacted in 1989 (commonly referred to as the "Stark Law"). The 1993 Budget Act specifically prohibits any physician having a "financial relationship" with an entity from making a referral to that entity, and prohibits the entity from billing the Medicare (or the Medicaid) program for the furnishing of certain "designated health services" for which payment otherwise would be made under the Medicare or the Medicaid programs (unless that relationship meets an exception). Violations may result in exclusion from the Medicare and the Medicaid programs, denial of payment, refund of payments received or fines of up to $15,000 per service or $100,000 per financial relationship. The System's hospitals have various relationships with physicians that may be characterized as "financial relationships" under the Stark Law.

The CMS has been in the process of modifying the "whole hospital" exception to the Stark Law. The "whole hospital" exception to the Stark Law provides that a physician may own or invest in a hospital as long as the physician ownership is in the hospital itself (rather than a subdivision of the hospital) and the physician is authorized to perform services at the hospital. CMS has stated that the purpose of the rule would be to revise the Stark regulations to specify that, for purposes of the physician self-referral prohibition, certain physician ownership or investment interests in specialty hospitals would not qualify for the "whole hospital" exception. Recently, the MMA established an 18-month moratorium on physician ownership of or investment in certain specialty hospitals. The moratorium was in effect from December 8, 2003 through June 7, 2005. As the moratorium only ended recently, it is difficult to know what impact this may have on the System. There can be no assurance that this proposal or other similar proposals would not have a material adverse effect on joint ventures the System has entered into and on the System's operations and financial results.

Civil Monetary Penalties Laws and Other Federal Fraud Provisions

Under the Civil Monetary Penalties Law of the Social Security Act (the "CMP Law"), civil monetary penalties may be imposed against any person who knowingly presents or causes to be presented a claim (i) for items or services not provided as claimed (including coding), (ii) that is false or fraudulent, (iii) for services provided by an unlicensed or uncertified physician, (iv) for items or services provided by an excluded person or (v) for items or services that are not medically necessary. Penalties include up to $10,000 for each item or service claimed plus an assessment of up to three times the amount claimed for each item of service. The CMP Law applies to all federal health care programs. Enforcement activity in this area appears to be increasing, and enforcement authorities may be adopting more aggressive approaches. In the current regulatory climate, it should be expected that many hospitals, possibly including the System's hospitals, and physician groups will be subject to an investigation or inquiry regarding billing practices and false claims.

Enforcement authorities are in a position to compel settlements by providers charged with false claims violations by withholding or threatening to withhold Medicare, Medicaid and similar payments and by threatening criminal action. In addition, the cost of defending such actions, including the time spent by management to attend to the matter, and the facts of a particular case may dictate settlement.

In addition to the CMP Law provisions and those of the BBA discussed above, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") established a variety of provisions designed to control fraud

and abuse in government programs and to strengthen enforcement capabilities. HIPAA created new health care crimes, expanded the Medicare and the Medicaid exclusion provisions to provide reciprocal exclusion of entities and individuals with ownership or controlling interests in such entities and increased civil monetary penalties for a variety of actions.

On September 15, 2003, HHS published a Proposed Rule entitled, "Clarifying the Terms and Application of Program Exclusion Authority for Submitting Claims Containing Excessive Charges" submitted by the Office of Inspector General ("OIG"). The proposed rule allows exclusion of an individual or entity from federal health care program participation if items or services have been furnished in excess of a patient's needs, or of a quality that does not meet professional standards; or any charge or cost submitted for payment that is more than 120% of the entity's usual charge or cost for the service or item. However, if the item/service is subject to a payment cap (*e.g.,* fee schedule amount) the charge will be deemed to be the lower amount represented by the fee schedule or the proposed charge. The proposed rule provides an extensive definition of "usual charge." It also cites situations in which above normal charges are allowable.

Emergency Medical Treatment and Active Labor Act

In response to concerns regarding inappropriate hospital transfers of emergency patients based upon the patient's inability to pay for the services provided, Congress enacted the Emergency Medical Treatment and Active Labor Act ("EMTALA"), commonly known as the "anti-dumping statute." EMTALA, among other things, imposes certain requirements that must be met before transferring a patient to another facility. Failure to comply with EMTALA can result in exclusion from the Medicare and the Medicaid programs as well as civil and criminal penalties.

A final rule describing hospital's responsibilities regarding treatment emergencies became effective November 20, 2003. CMS issued an Interim Guidance Document (S&C-04-10) for the EMTALA final rule. Material provisions include:

(a) Codification of existing policy prohibiting a hospital from seeking authorization from an insurance company until a medical screening exam has been provided and stabilization treatments have been initiated.

(b) Individuals presenting at a hospital's main campus that is not a dedicated Emergency Department ("ED") must receive a medical screening only if requested, or where a prudent layperson observer would conclude that emergency treatment was necessary.

(c) EMTALA does not apply when a request for emergency treatment is made at a hospital department that is off main campus and is not a dedicated ED.

(d) There is no EMTALA obligation to an individual who has begun to receive services as part of a scheduled outpatient encounter.

(e) The EMTALA obligation ends when an individual has been admitted for inpatient services regardless of whether or not the person has been stabilized.

(f) The new rule eliminates the applicability of EMTALA to off-campus outpatient clinics that do not routinely provide emergency services.

(g) Hospital-owned ambulances, operating under community-wide protocols, which are directed to take the individual to other hospitals than the hospital that owns the ambulance are not subject to EMTALA.

The MMA modified EMTALA by determining payment for EMTALA-mandated screening and stabilization services. The modifications apply to items and services furnished on or after January 1, 2004. Any item or service that is required to be furnished to an individual who is entitled to benefits is to be considered to be reasonable and necessary based on the information available to the treating physician at the time the service was ordered or

furnished rather than the patient diagnosis. Further, the frequency with which the item or service was provided before or after the visit is not a consideration.

Failure of the System's hospitals to meet their responsibilities under EMTALA could have a material adverse effect upon the System's operations and financial results.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities and certain pricing or salary setting activities, as well as others. In some respects, the application of federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. Violation of the antitrust laws could be subject to criminal and civil enforcement by federal and state agencies, as well as by private litigants. At various times, any hospital in the System may be subject to an investigation by a governmental agency charged with the enforcement of antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. The most common areas of potential liability are joint action among providers with respect to payor contracting, medical staff credentialing, division of services and use of a hospital's local market power for entry into related health care businesses. From time to time, the System's hospitals are or will be involved with some or all of these types of activities, and it cannot be predicted when or to what extent liability may arise. With respect to payor contracting, the System's hospitals may, from time to time, be involved in joint contracting activity with other hospitals or providers. The precise degree to which this or similar joint contracting activities may expose the participants to antitrust risk from governmental or private sources is dependent upon myriad factual matters that may change from time to time. A U.S. Supreme Court decision allows physicians who are subject to adverse peer review proceedings to file federal antitrust actions against hospitals and seek treble damages. Hospitals regularly have disputes regarding credentialing and peer review, and therefore may be subject to liability in this area. In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may also be liable with respect to such indemnity. Recent court decisions have also established private causes of action against hospitals that use their local market power to promote ancillary health care businesses in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage. Liability in any of these or other trade regulation areas may be substantial, depending upon the facts and circumstances of each case.

The System's hospitals will work with, rely upon and sometimes invest in medical groups or medical group management companies. If any of these medical groups or management companies is determined to have violated the antitrust laws, the System's hospitals also may be subject to liability as a joint actor, or the value of any investment in such group or company may be affected.

Environmental and Occupational Health and Safety Laws & Regulations

Hospitals are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, hospital operations or facilities and properties owned or operated by hospitals. Among the types of regulatory requirements faced by hospitals are: (1) air and water quality control requirements; (2) waste management requirements; (3) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; (4) requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospitals; and (5) requirements for training employees in the proper handling and management of hazardous materials and wastes. In their role as owners and operators of properties or facilities, hospitals, including the System's hospitals, may be subject to liability for removing and disposing of any hazardous substances that have come to be located on such properties or in such facilities, including any such substances that may have migrated off of the property. Typical hospital operations include, in various combinations, the handling, use, storage, transportation, disposal, and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants, and contaminants. For this reason, hospital operations are particularly susceptible to the practical, financial, and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property, or the environment; may interrupt operations or increase their costs or both; may result in legal liability, damages, injunctions, or fines; or may trigger investigations, administrative proceedings, penalties, or other

government agency actions. There can be no assurance that the System will not encounter such risks in the future, and such risks may have a material adverse effect upon the System's operations and financial results.

Commercial Insurance and Managed Care Plans

Certain private insurance companies contract with hospitals on an "exclusive" or a "preferred" provider basis, and some insurers have introduced plans known as "preferred provider organizations" ("PPOs"). Under such plans, there may be financial incentives for subscribers to use only hospitals that contract with the plans. Under an exclusive provider plan, which includes most health maintenance organizations ("HMOs"), private payors limit coverage to those services provided by selected hospitals. With this contracting authority, private payors may direct patients away from unselected hospitals by denying coverage for services provided by them.

Most PPOs and HMOs currently pay hospitals on a discounted fee-for-service basis or on a discounted fixed rate per day of care. Many healthcare providers, including the System's hospitals, do not have accurate information about their actual costs of providing specific types of care, particularly since each patient presents a different mix of services and length of stay. Consequently, the discounts offered to HMOs and PPOs may result in payment at less than actual cost and the volume of patients directed to a hospital under an HMO or a PPO contract may vary significantly from projections. Therefore, the future financial consequences of such contracts may be unknown and their effect upon the financial condition of the System's hospitals may be different in the future than that reflected in the financial statements set forth in this Official Statement.

Some HMOs offer and mandate a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each HMO enrollee who is "assigned" to, or otherwise directed to receive care at, a particular hospital. In a capitation payment system, the hospital assumes an insurance risk for the cost and scope of care given to the HMO's enrollees. In some cases, the capitated payment covers total patient care provided, including the physician's component. If payment under an HMO or a PPO contract is insufficient to meet the hospital's costs of care, the financial condition of the hospital may erode rapidly and significantly. Often, HMO or PPO contracts are enforceable for a stated term, regardless of provider losses. Furthermore, HMO contracts may contain a requirement that the hospital care for HMO enrollees for a certain period of time regardless of whether the HMO has funds to make payment to the hospital.

The System's hospitals currently have contracts with HMOs, PPOs and other managed care providers. Such programs individually negotiate payment terms with the System's hospitals, including discounted fee-for-service payments or discounted fixed rate per day of care payments. There is no assurance that the System's hospitals will maintain these contracts or obtain other similar contracts in the future. Failure to maintain these PPO and HMO contracts could have the effect of reducing the patient base or gross revenues of the System's hospitals. Conversely, participation may maintain or increase the patient base, but may result in reduced payment and lower net income to the System's hospitals. Furthermore, the effect of these contracts on the consolidated financial statements of the System may be different in the future than that reflected in the consolidated financial statements for the current period.

The System's ability to develop and expand its services and, therefore, its profitability, is dependent upon the System's ability to enter into contracts with HMOs, PPOs and other third-party payors at competitive rates. There can be no assurance that the System will be able to attract third-party payors, and where it does, no assurance that it will be able to contract with such payors on advantageous terms. The inability of the System to contract with a sufficient number of such payors on advantageous terms could have a material adverse effect upon the System's operations and financial results. While the System employs a system to control health care service utilization and increase quality, the System cannot predict changes in utilization patterns or the system's effect on health care providers. Further, termination, or expiration without renewal, of such contracts could have a material adverse effect on the System's operations and financial results. There can be no assurance that such contracts will be renewed upon expiration or not be terminated prior to expiration.

As of April 30, 2005, patients from HMOs and PPOs represented approximately 24.9% of the gross patient charges by the System.

Integrated Delivery Systems

General

Many hospitals and health systems, including the System, are pursuing strategies with physicians to offer an integrated package of health care services, including physician hospital services, to patients, health care insurers, and managed care providers. These integration strategies take many forms, several of which are discussed below. Further, many of these integration strategies are capital intensive and may create certain business and legal liabilities for the System.

Even when these activities are conducted by affiliates of the System, the start-up capitalization for such developments, as well as operational deficits, may be funded by the System. Depending upon the size and organizational characteristics of a particular development, these capital requirements may be substantial. In some cases, the System may be asked to provide a financial guarantee for the debt of a related entity that is carrying out an integrated delivery strategy. In certain of these structures, the System may have an ongoing financial commitment to support operating deficits, which may be substantial on an annual or aggregate basis.

Affiliations, Mergers, Acquisitions and Dispositions

As with many multi-hospital systems, the System plans for, evaluates and pursues potential merger and affiliation candidates on a consistent basis as part of its overall strategic planning and development processes. Such planning and discussions will likely result in changes in the number of hospitals in the System over time. Currently, the System is affiliated with other nonprofit and for-profit entities. In certain instances, such affiliates may conduct operations that are of strategic importance to the System, or their operations may subject the System to potential legal or financial liabilities.

The System, from time to time, receives offers from, or conducts discussions with, third parties about the potential acquisition of operations or properties that may become part of the System in the future, or about the potential sale of some of the System's operations and properties. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use are held on a frequent, and usually confidential, basis with other parties and may include the execution of non-binding letters of intent. As a result, it is possible that new hospitals or other health care operations will be added to the System in the future, and that the organizations and assets that make up the System may change from time to time, subject to the provisions in the Master Indenture and other financing documents that apply to mergers, sales, dispositions or purchases of assets, or with respect to joining or withdrawing from the Obligated Group.

Physician Contracting and Relations

The System may wish to contract with physician organizations ("POs") (for example, independent physician associations, physician-hospital organizations, etc.) to arrange for the provision of physician and ancillary services. Because POs are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with POs. In addition, the System employs physicians in response to industry trends in the markets it serves.

The success of the System will be partially dependent upon its ability to attract physicians to join the POs and to attract POs to participate in the System's network, and upon the physicians', including the employed physicians', abilities to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the System will be able to attract and retain the requisite number of physicians, or that such physicians will deliver high quality health care services. Without empaneling a sufficient number and type of providers in the System's network, the System could fail to be competitive, could fail to keep or attract payor contracts, or could be prohibited from operating until its panel provided adequate access to patients. Such occurrences could have a material adverse effect upon the System's operations and financial results.

Possible Increased Competition

The System may face increased competition in the future from other hospitals, from skilled nursing facilities, and from other forms of health care delivery or payment plans that offer health care services to the population that the System presently serves. Increased competition may result from the construction of new, or the renovation of existing, hospitals, specialty hospitals, skilled nursing facilities, ambulatory surgical centers, free-standing emergency facilities, and private laboratory and radiological services facilities, and the formation of various types of integrated delivery systems.

Increased competition may also result from forms of health care delivery systems that offer lower-priced services to the population served by the System. Within the System's service area, these services could displace some of the revenue-generating services presently offered by the System. The services that could serve as substitutes for the System's treatment include, among others, specialty hospitals, such as cardiac care hospitals and children's hospitals; specialized nursing facilities; home health care; intermediate nursing home care; preventive care; and drug and alcohol abuse programs.

Regulation Of Health Care Industry

General

The health care industry is highly dependent upon a number of factors that may limit the ability of the Corporation and Parkview Hospital to meet their obligations under the Loan Agreement, the Master Indenture and the Series 2005 Notes. Among other things, participants in the health care industry (such as the System) are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third-party reimbursement programs. Certain of these factors, which could have a significant effect on the future operations and financial condition of the System, are discussed below.

Balanced Budget Act of 1997

As described below, the Balanced Budget Act of 1997 (the "BBA") contains a number of provisions that affect the System.

Mandatory Exclusion. Under the BBA, those convicted of three health care-related crimes face mandatory, permanent exclusion from any federal health care program. Those convicted of two crimes will face a mandatory ten-year exclusion. The Secretary of HHS will be able to deny entry into Medicare or Medicaid or deny renewal to any provider or supplier convicted of any felony that the Secretary deems to be "inconsistent with the best interests" of the program's beneficiaries.

Post-Hospital Referrals. The BBA expanded the requirements that hospitals have a discharge planning process, including information on the availability of home health services and providers in the area. Each plan must also identify any entity or provider to whom a patient is referred in which the hospital has a "disclosable financial interest."

Certain Discharges to Post Acute Care. The BBA established that hospital discharges to related skilled nursing facilities occurring on or after October 1, 1998, that fall within a specified cluster of ten high volume/high post-acute use DRGs will be considered a transfer for payment purposes.

Asset Loss Recognition. Another provision of the BBA eliminated the allowance for return on equity capital and eliminated the depreciation adjustment that allowed for recognition of gain or loss on dispositions of assets used in the provision of certain patient care services.

Provider-Sponsored Organization Tax Rules. Under the BBA, a tax-exempt organization shall not fail the organizational and operational prongs of the charitable purpose test "solely" because a hospital that it owns or operates participates in a Provider Sponsored Organization ("PSO"). The law also states, however, that any person

with a material financial interest in a PSO shall be treated as a private shareholder or individual with respect to the hospital. As a result of this provision, a tax-exempt hospital participating in a PSO may be placed in greater jeopardy of losing its tax-exempt status if individuals connected with the PSO derive inappropriate financial benefits from it.

The BBA created the most comprehensive changes in Medicare reimbursement since the program began in 1966. These changes caused revenue from several Medicare programs to be reduced. The System began experiencing these Medicare program revenue reductions in 1998 when the first reductions took effect and it continued through 1999 and 2000. For Federal fiscal year 2001, a Medicare relief package was passed to include an inpatient and outpatient payment update for hospitals, which also increased Medicare reimbursement for hospitals' bad debt and payments for medical education.

HIPAA Administrative Simplification Provisions

HIPAA mandates the adoption of standards for the exchange of electronic health information in an effort to encourage overall administrative simplification and enhance the effectiveness and efficiency of the health care industry. The administrative simplification provisions of HIPAA have caused and will continue to cause significant and costly changes in health care. These provisions require new security measures, set standards for electronic signatures, standardize a method for identifying providers, employers, health plans and patients, require that the health care industry utilize the most efficient method to codify data and significantly change the manner in which hospitals communicate with payors.

Pursuant to HIPAA, the Secretary of HHS issued final regulations addressing the confidentiality of individuals' health information that required health care organizations to be fully compliant with the new privacy rules by April 2003. In addition, health care organizations were required to comply with a final regulation mandating the use of standard electronic transactions to communicate health data by October 2002. Health care organizations that applied for a one year extension of this deadline had until October 2003 to comply with the standard electronic transactions regulations. Final security regulations were published February 2003, and health care organizations have until 2005 to comply with the security regulations. Sanctions for failure to comply with HIPAA include criminal penalties and civil sanctions.

Management of the System's hospitals believes that it is compliant with the privacy and standard electronic transactions measures.

Taxpayer Relief Act of 1997

The Taxpayer Relief Act of 1997 tightened the ownership rules for determining whether certain types of income received from subsidiaries are subject to the unrelated business income tax ("UBIT"). Under prior law, tax-exempt organizations were required to pay tax on rents, royalties, annuities, and interest income only if such income was received from a taxable or tax-exempt subsidiary that was at least 80% controlled by the tax-exempt organization. Nevertheless, UBIT did not apply if the income came from a "second-tier" subsidiary (*i.e.*, a subsidiary owned by a subsidiary).

Under the law, such income is subject to UBIT if the parent organization owns more than 50% of the subsidiary, based upon voting power or value. In addition, a parent exempt organization is deemed to control any subsidiary that it controls either directly or indirectly (for example, as a second-tier subsidiary). The 50% control test took effect for taxable years beginning after December 31, 1998. This provision may force some multi-member health care systems to choose between maintaining control and incurring UBIT liability where business considerations dictate the use of intra-system loans, leases, and licensing arrangements. System management states that these provisions had no material impact on the net unrelated business income tax of the System.

Tax-Exempt Status

Covenants to Maintain Tax-Exempt Status of Interest on the Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable

from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that issuers file an information report with the Internal Revenue Service ("IRS"). The Authority, and the Members of the Obligated Group and any other hospital of the System using the proceeds of the Bonds (the "User Group") will covenant in certain of the documents referred to herein that they will comply with such requirements. Future failure by the User Group to comply with any of these covenants may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance. See "TAX MATTERS."

Maintenance of the Tax-Exempt Status of the Obligated Group Members. The tax-exempt status of the Bonds presently depends upon each member of the User Group maintaining its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions which may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities which do not conduct large-scale operations and business activities, they often do not directly address the myriad of operations and transactions entered into by a modern hospital organization. The IRS has announced that it intends to closely scrutinize transactions between non-profit and for profit entities and, in particular, has issued audit guidelines for tax-exempt hospitals. Although specific activities of hospitals, such as medical office building leases have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities or categories of activities have not been addressed in any official opinion, interpretation, or policy of the IRS.

In October 1991, the IRS issued a General Counsel Memorandum ("GCM"), a statement of IRS policy and interpretation which has increased uncertainty over the IRS's position on a wide variety of activities commonly undertaken by health care organizations. The GCM (l) recommended the revocation of three previous IRS Private Letter Rulings which approved the sale by hospitals of certain net revenue streams to joint ventures involving physicians, (2) modified a prior GCM to make it clear that the IRS does not believe that entering into a joint venture with physicians to maintain or enhance a hospital's market share furthers a hospital's charitable purposes, and (3) stated that violations of the Medicare anti-fraud and abuse law or other federal laws by a tax-exempt provider may jeopardize the provider's federal tax exemption. See "Medicare - Medicare Audits Enforcement Actions" herein. As a wide variety of commonplace hospital-physician transactions might be interpreted to violate the Medicare and Medicaid anti-fraud and abuse laws or the prohibitions against self-referrals or other federal laws, the GCM has broadened the range of activities that may directly affect tax exemption, without defining specifically how such rules will be applied. As a result, tax-exempt hospitals are currently subject to an increased degree of scrutiny and perhaps enforcement by the IRS concerning transactions with physicians.

In 1998, the IRS issued a Revenue Ruling (the "Revenue Ruling") addressing the issue of whether a non-profit hospital that participates in a whole hospital joint venture with for-profit entities continues to qualify for tax exemption, and a 1999 federal Tax Court case addressed similar issues. Only two scenarios were discussed in the Revenue Ruling, and the IRS analysis was very fact specific. The Revenue Ruling and the Tax Court decision set forth a number of factors that the IRS will consider relevant in its analysis of such joint ventures. However, the issue remains as to whether this analysis will be applied to other types of joint ventures between for-profit and non-profit entities.

Management of the User Group believes that no member of the User Group is a participant in any joint venture of the specific type addressed in the GCM or the Revenue Ruling. However, the User Group is and will be a participant in a variety of joint ventures and transactions with physicians. Management of the User Group believes that the joint ventures and transactions to which the User Group is and will be a party are consistent with the requirements of its tax-exempt status, but, as noted above, the GCM, the Revenue Ruling and the case law create uncertainty as to the state of the law in this regard.

In addition to private inurement issues, several other events have occurred that could impact the tax-exempt status of a member of the User Group. First, state taxing authorities can attempt to revoke an organization's tax-exempt status. This occurred in February 2004, when the Illinois Department of Revenue revoked the tax-exempt status of Provena Covenant Medical Center in Urbana, Illinois. Second, in 2004, several class action

lawsuits were filed against tax-exempt hospitals and health systems coordinated through the Scuggs law firm. These lawsuits, among other charges, allege that the tax-exempt hospitals breached a charitable trust owed due to their tax-exempt status. Although no member of the User Group is party of any of the class action suits filed to date, it is uncertain the impact such suits may have on the System and other similarly situated tax-exempt hospitals. Third, both the Senate Finance Committee and the House Ways and Means Committee have initiated investigations regarding hospitals' tax-exempt status. At this time, the conclusions drawn from such investigations, and probable impact on the System, is uncertain.

Under the Code, one penalty available to the IRS is the revocation of the tax-exempt status of 501(c)(3) nonprofit healthcare corporations. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit healthcare corporations, it could do so in the future. It is possible that loss of tax-exempt status by a member of the User Group or any future member of the User Group could result in loss of tax exemption of the Bonds or of other tax-exempt debt of the User Group, and defaults on covenants regarding the Bonds or other related tax-exempt debt would likely be triggered. Loss of tax-exempt status could also result in substantial tax liabilities on taxable income of the Obligors. For these reasons, loss of tax-exempt status of the User Group or any Designated Affiliate could have material adverse consequences on the financial condition of the Obligated Group.

Given the uncertainty with respect to the standards applied by the IRS to a wide variety of hospital transactions, the User Group and any future members of the User Group are thus also at risk for incurring substantial monetary liabilities imposed by the IRS, as well as threatened revocation of exempt status.

State Income Tax Exemption and Local Property Tax Exemption. It is likely that the loss by the Obligated Group or any future Obligated Group Member of federal tax exemption would also trigger a challenge to the state tax exemption of such Obligated Group Member. Depending on the circumstances, such event could be adverse and material.

In recent years, state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt healthcare providers with respect to their real property tax exemptions. In some cases, particularly where such authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the healthcare providers has been questioned. Some states have proposed or are anticipated to propose enactment of legislation that would require a tax-exempt hospital to provide indigent care in an amount commensurate with the amount of real property taxes from which the hospital is exempted.

Unrelated Business Income. In recent years, the IRS and state, county and local taxing authorities have undertaken audits and reviews of the operations of tax-exempt hospitals with respect to the generation of unrelated business taxable income ("UBTI"). The User Group does participate in activities which may generate UBTI. An investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the members of the User Group or possibly the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds.

Other Risk Factors

The following factors, among others, may also affect the operations or financial performance of the System:

(a) Competition from hospitals located within and outside of the System's service area, from other types of health care providers that may offer comparable health care services, and from alternative or substitute health care delivery systems or programs, may decrease utilization of the System's facilities. See APPENDIX A for a discussion of the organizations that the System considers to be the major competing hospitals within the System's service area.

(b) Increased efforts by insurers and governmental agencies to limit the cost of hospital services (including, without limitation, the implementation of a system of prospective review of hospital rate changes and negotiating discounted rates), to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety, and outpatient care.

(c) Development of health maintenance organizations, preferred provider organizations, or other managed care or integrated delivery systems and requirements of labor contracts, legislation, or employers encouraging or requiring the use of such organizations as an alternative to the use of System facilities and similar institutions for the delivery of health care services.

(d) Cost increases without corresponding increases in revenue could result from, among other factors: increases in salaries, wages, and fringe benefits of hospital employees, increases in costs associated with advances in medical technology or with inflation or future legislation that would prevent or limit the ability of the System's hospitals to increase revenues.

(e) Any termination or alteration of existing agreements between the System's hospitals and individual physicians and physician groups who render services to the System's hospitals' patients or any termination or alteration of referral patterns by individual physicians and physician groups who render services to the System's hospitals' patients with whom the System's hospitals do not have contractual arrangements.

(f) Future contract negotiations with public and private insurers and other efforts of these insurers and of employers to limit hospitalization costs and coverage could adversely affect the level of reimbursement to the System's hospitals.

(g) The ability of, or the cost to, the System to continue to insure or otherwise protect itself against malpractice and general liability claims.

(h) Future legislation and regulations affecting hospitals, their tax-exempt status, governmental and commercial medical insurance and the health care industry in general could have a material adverse effect upon the System's operations and financial results.

(i) Medical and other scientific advances resulting in decreased usage of hospital facilities or services, including those of the System's hospitals.

(j) An inflationary economy and difficulty in increasing room charges and other fees charged while at the same time maintaining the amount or quality of health services may affect the ability of the System's hospitals to maintain sufficient operating margins.

(k) The cost and effect of any future unionization of any of the System's employees.

(l) The possible inability to obtain future governmental approvals to undertake projects necessary to remain competitive, both as to rates and charges, as well as quality and scope of care, could have a material adverse effect upon the System's operations and financial results.

(m) Imposition of wage and price controls for the health care industry, such as those that were imposed and adversely affected health care facilities in the early 1970's.

(n) Limitations on the availability of and increased compensation necessary to secure and retain nursing, technical or other professional personnel.

(o) Changes in law or revenue rulings governing the not-for-profit or tax-exempt status of charitable corporations, such that not-for-profit corporations such as the System's hospitals, as a condition of maintaining their tax-exempt status, are required to provide increased indigent care at reduced rates or without charges or to discontinue services previously provided.

(p) Efforts by taxing authorities to impose or increase taxes related to the property and operations of nonprofit organizations or to cause nonprofit organizations to increase the amount of services provided to indigents to avoid the imposition or increase of such taxes.

(q) Proposals to eliminate the tax-exempt status of interest on bonds issued to finance health facilities, or to limit the use of such tax-exempt bonds, have been made in the past, and may be made again in the future. The adoption of such proposals would increase the System's cost of financing future capital needs.

(r) Increased unemployment or other adverse economic conditions that could increase the proportion of patients who are unable to pay fully for the cost of their care. In addition, increased unemployment caused by a general downturn in the economy in the System's service area or by the closing of operations of one or more major employers in the service area may result in a significant change in the demographics of the service area, such as a reduction in the population.

(s) Increased incidence of diseases such as AIDS, which may result in the treatment by the System of increased numbers of patients without adequate insurance to cover the significant and sustained costs of such care.

(t) Increases in the cost of complying with applicable federal and state regulations governing the precautions that must be followed by employees who come into contact with blood or body fluids or other infectious diseases such as tuberculosis.

(u) Construction risks, including delays in construction schedules and cost overruns.

Certain Other Matters Relating to Security for the Bonds

*Certain Matters Relating to Security for the Bond*s. The facilities of the Obligated Group are not pledged as security for the Bonds. The facilities of the Obligated Group are not comprised of general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for such facilities and, upon any default which results in the acceleration of any Bonds, the Master Trustee may not realize an amount sufficient to pay in full the obligations, including those in respect of the outstanding Bonds, from the sale or lease of such facilities if it were necessary to proceed against such facilities, whether pursuant to a judgment, if any, against the Obligated Group, or otherwise.

*Amendment*s. Certain amendments to the Indenture may be made with the consent of the holders of not less than fifty-one percent (51%) of the principal amount of the outstanding Bonds. Certain amendments to the Master Indenture may be made with the consent of the holders of not less than fifty-one percent (51%) of the principal amount of Master Notes Outstanding under the Master Indenture which are affected by the amendment. Such amendments may adversely affect the security of the Bondholders. With respect to amendments to the Master Indenture, the holders of the requisite percentage of outstanding obligations may be composed wholly or partially of the holders of additional Master Notes.

Matters Relating to Enforceability of the Master Indenture. The obligations of the Obligated Group under the Master Notes will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below.

The accounts of the Members of the Credit Group will be combined for financial reporting purposes and will be used in determining whether the test relating to debt service coverage contained in the Master Indenture is met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Members of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Members for payment of debt service on Master Notes, including the Series 2005 Notes pledged under the Indenture as security for the Bonds. The joint and several obligations described herein of Members of the Obligated Group to make payments of debt service on Master Notes issued under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights and by general equitable principles and (2) such payments (i) are requested to make payments on any Master Notes which are issued for a purpose which is not consistent with the charitable purposes of the Member from which such payments are requested or which are issued for the benefit of any entity other than a tax-exempt organization; (ii) are requested to be made from any moneys or assets which are donor restricted or which are subject to a direct or

express trust which does not permit the use of such moneys or assets for such a payment; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member from which such payment is requested; or (iv) are requested to be made pursuant to any loan violating applicable usury laws.

A Member may not be required to make any payment to provide for the payment of any Master Note, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member to the extent that such transfer would render the member insolvent or which would conflict with, not be permitted by or which is subject to recovery for the benefit of other creditors of such Members under applicable fraudulent conveyance, bankruptcy or moratorium laws. There is no clear precedent in the law as to whether such transfers from a member in order to pay debt service on the Master Notes may be voided by a trustee in bankruptcy in the event of bankruptcy of the Member, or by third-party creditors in an action brought pursuant to state fraudulent transfer or fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent transfer or fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or applicable state fraudulent transfer or fraudulent conveyance statutes, or the guarantor is undercapitalized.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to force a Member of the Obligated Group to pay debt service on a Master Note for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that the Member of the Obligated Group is analogous to a guarantor of the debt of the Member who directly benefited from the borrowing and that sufficient consideration for the Member's guaranty was not received and that the incurrence of such obligation has rendered or will render the Member insolvent or the Member is or will thereby become undercapitalized.

There exist, in addition to the foregoing, common law authority and authority under applicable state statutes pursuant to which the courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion pursuant to a petition of the Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enhance charitable trusts and to see to the application of their funds to the intended charitable uses.

The principles of bankruptcy, insolvency, reorganization, fraudulent conveyance and moratorium and other similar laws affecting creditors' rights are also applicable to limit the Obligated Group's ability to compel any Designated Affiliates to comply with the provisions of the Master Indenture.

Potential Effects of Bankruptcy. In the event of bankruptcy of an Obligated Group Member, the rights and remedies of the Bondholders are subject to various provisions of the federal Bankruptcy Code. If an Obligated Group Member were to file a petition in bankruptcy, payments made by that Obligated Group Member during the 90-day (or perhaps one-year) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of such Obligated Group Member's liquidation. Security interests and other liens granted to a Trustee or the Master Trustee and perfected during such preference period also may be avoided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such perfection. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligated Group Member and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property, as well as various other actions to enforce, maintain or enhance the rights of the Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of the Obligated Group Member, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of such Obligated Group Member despite any security interest of the Trustee therein. The rights of the Trustee and the Master Trustee to enforce their respective security interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

Such Obligated Group Member could file a plan for the adjustment of its debts in any such proceeding, which plan could include provisions modifying or altering the rights of creditors generally or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

In addition, the obligations of the Obligors under the Loan Agreement and of the Obligors and any future Members under the Master Indenture are not secured by a lien on or security interest in any assets or revenues of the Members. In the event of a bankruptcy of the Obligors or any future Members, Bondholders would be unsecured creditors and would be in an inferior position to any secured creditors and on a parity with all other unsecured creditors.

In the event of bankruptcy of any Member, there is no assurance that certain covenants, including tax covenants, contained in the Loan Agreement and certain other documents would survive. Accordingly, a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes.

Enforceability of Remedies

All legal opinions with respect to the enforceability of the Master Indenture, the Indenture and the Loan Agreement will be expressly subject to a qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally, and by applicable principles of equity if equitable remedies are sought.

Bond Insurance

In the event that the Corporation, Parkview Hospital or any future Member of the Obligated Group fails to provide funds to make payment of the principal of and interest on the Bonds when the same shall become due, any owner of Bonds shall have recourse against the Bond Insurer for such payments. However, the Financial Guaranty Insurance Policy does not insure the principal of or interest on the Bonds coming due by reason of acceleration or optional or extraordinary optional redemption nor does it insure the payment of any redemption premium payable upon the redemption of the Bonds.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments made in connection with the sale of Bonds at Auctions or losses suffered as a result of a holder's inability to sell Bonds.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of Bonds upon tender by a registered owner thereof.

Under no circumstances, including the situation in which the interest on the Bonds becomes subject to federal taxation for any reason, can the maturities of the Bonds be accelerated without the consent of the Bond Insurer, so long as the Bond Insurer performs its obligations under the Financial Guaranty Insurance Policy. Furthermore, so long as the Bond Insurer performs its obligations under the Financial Guaranty Insurance Policy, the Bond Insurer may direct, and must consent to, any remedies that the Trustee exercises under the Indenture.

In the event that the Bond Insurer is unable to make payments of principal and interest on the Bonds as such payments become due, the Bonds are payable solely from moneys received by the Trustee pursuant to the Series 2005 Notes, the Loan Agreement and the Indenture. See "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE BOND INSURER" for further information concerning the Bond Insurer and the Financial Guaranty Insurance Policy.

In the event that the Bond Insurer is required to pay principal or interest on the Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Bonds.

The ratings on the Bonds are dependent on the ratings of the Bond Insurer. The Bond Insurer's current ratings are predicated upon, among other things, a level of reserves in excess of the levels required by the various state agencies regulating insurance companies. The level of reserves maintained by the Bond Insurer could change over time and this could result in a downgrading of the ratings on the Bonds. The Bond Insurer is not contractually bound to maintain its present level of reserves in the future. See "RATINGS."

Interest Rate Swap Risk

In the normal course of business, the Obligors, after receiving the appropriate approval of their respective Board of Directors, periodically enters into interest rate swap agreements to hedge interest rate risk. Changes in market value of such agreements could negatively or positively impact the Obligated Group's operating results and financial condition, and such impact could be material. See the consolidated audited financial statements of the System in APPENDIX B for a description of certain of the Obligors' existing swap agreements entered into prior to 2005. Any of the Obligors' swap agreements may be subject to early termination upon the occurrence of certain specified events. If either the Obligors or the counterparty terminates such an agreement when the agreement has a negative value to the Obligors, the Obligors could be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial and potentially materially adverse to the Obligated Group's financial condition. In the event of an early termination of any swap agreement, there can be no assurance that (i) the Obligors will receive any termination payment payable to it by the counterparty, (ii) the Obligors will have sufficient amounts to pay a termination payment payable by it to a counterparty, and (iii) the Obligors will be able to obtain a replacement swap agreement with comparable terms. The swap agreements under the 2001 Master Agreement and 2003 Master Agreement are subject to periodic "mark-to-market" valuations and may, at any time, have a negative value (which could be substantial) to the Obligors.

Certain of the Obligors' existing swap agreements require the Obligors to secure their respective obligations in certain circumstances, which circumstances include, without limitation, a downgrade of long-term debt issued by the Obligated Group. The Obligated Group's ability to place a lien on its collateral is limited by the Master Indenture. See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED MASTER INDENTURE—Liens on Property." If the Obligors are unable to secure their respective obligations under a swap agreement with sufficient collateral, the swap counterparty will have the right to terminate the swap agreement and the Obligors could be required to make a termination payment to the counterparty, the amount of which could be substantial. Under the terms of those swap agreements, no collateral, based on the current financial conditions of the Obligors, is currently required to be posted.

Pursuant to the 2001 Master Agreement and the 2005 Confirmations, the 2001 Swap Provider and the Swap Provider are obligated to make variable rate payments to the Obligors to the applicable notional amount, which variable rate payments may be more or less than the fixed rate amount the Obligors are required to pay with respect to the related bonds. There is no guarantee that any floating amount payable by the 2001 Swap Provider or the Swap Provider under the 2001 Master Agreement or the 2005 Confirmations will match the amount payable by the Obligors to the owners of the related series of bonds at all times or at any time. To the extent of a mismatch, the Obligors are exposed to "basis risk" in that the floating amount it receives from the 2001 Swap Provider or the Swap Provider pursuant to either the 2001 Master Agreement or the 2005 Confirmations will not equal the variable amount it is required to pay on the related series of bonds.

ABSENCE OF MATERIAL LITIGATION

Authority

There is no controversy or litigation of any nature, to the knowledge of its officers, now pending or threatened against the Authority restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds.

Obligated Group

There is no controversy or litigation of any nature, to the knowledge of their officers, now pending or threatened against the Obligated Group restraining or enjoining the issuance, sale, execution or delivery of the Series 2005 Notes, or in any way contesting or affecting the validity of the Series 2005 Notes.

As with most healthcare corporations, the Obligated Group is subject to certain legal actions which, in whole or in part, are not or may not be covered by insurance or self-insurance because of the type of action or damages requested (*e.g.*. punitive damages), because of a reservation of rights by an insurance carrier or self-insurance program, or because the action has not proceeded to a stage which permits full evaluation. Since such actions either claim punitive damages which could become a liability of the Obligated Group and/or state or threaten causes of action which may not be covered by insurance or self-insurance, insurers for the Corporation and the self-insurance program have not provided assurance of coverage, and to the extent any cases have not been served, counsel has not been retained to evaluate them.

No litigation is now served upon or, to the knowledge of the Corporation or Parkview Hospital, otherwise pending or threatened against the Corporation or Parkview Hospital which in the aggregate would have a material adverse effect on the Corporation's or Parkview Hospital's operations or condition, financial or otherwise.

TAX MATTERS

In the opinion of Ice Miller, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excludable from gross income under Section 103 of the Code for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Authority and the User Group with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. If, subsequent to the date hereof, the interest rate mode applicable to the Bonds is changed, Bond Counsel expresses no opinion on the effect such change will have on the exclusion from gross income for federal income tax purposes of interest on the Bonds. In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is exempt from taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Bonds for State of Indiana income tax purposes. See APPENDIX D hereto for the form of approving opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Authority and the User Group will covenant not to take any action nor fail to take any action, within their respective power and control, with respect to the Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). The Indenture, the Loan Agreement and certain certificates and agreements to be delivered on the date of delivery of the Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Indenture if interest on the Bonds is not excludable from gross income for federal income tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of Bonds.

The interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax and the environmental tax imposed by Section 59A of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in I.C. 6-5.5) which, in general. are all corporations which are transacting the business of a financial institution in the State of Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of this legislation on their ownership of the Bonds.

Although Bond Counsel will render an opinion that interest on the Bonds is excludable from federal gross income and exempt from State of Indiana income tax, the accrual or receipt of interest on the Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and a Bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, "S" corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to other tax consequences of owning the Bonds.

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds are subject to the unqualified approving opinion of Ice Miller, Indianapolis, Indiana, Bond Counsel. Certain other legal matters will be passed upon for the Authority by its Bond Counsel, Ice Miller, Indianapolis, Indiana, for the Obligated Group by its counsel, Rothberg, Logan & Warsco, LLP, Fort Wayne, Indiana, for the Underwriter by its counsel, Baker & Daniels LLP, Indianapolis, Indiana, and for the Bank by its counsel, Winston & Strawn LLP, Chicago, Illinois.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services, Inc. ("Standard & Poor's") have assigned ratings to the Bonds of "Aaa/VMIG1" and "AAA/A-1+," respectively. These ratings are based on the assumption that the Bond Insurer will deliver its Financial Guaranty Insurance Policy insuring the timely payment of principal of and interest on the Bonds upon issuance of the Bonds and that the Bank will deliver its Standby Bond Purchase Agreements upon the issuance of the Bonds. Moody's and Standard & Poor's have also assigned underlying ratings to the Obligated Group of "A1" and "A+," respectively. Any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The Bond Insurer and the Obligated Group furnished to the rating agencies certain information and material concerning the Bonds. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that they might not be lowered or withdrawn entirely by the rating agencies, if in their judgment circumstances so warrant. The Bond Insurer, the Obligated Group and the Underwriter have undertaken no responsibility either to bring to the attention of the holders of the Bonds any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The following is a brief summary of certain provisions of the Continuing Disclosure Agreement of the Obligated Group and does not purport to be complete. The statements made under this caption are subject to the

detailed provisions of the Continuing Disclosure Agreement, a copy of which is available upon request from the Obligated Group.

Annual Financial Information Disclosure

The Obligors (on behalf of themselves and any Designated Affiliates) covenant that they will disseminate their Annual Information (described below) and audited financial statements (including the Designated Affiliates), to each Nationally Recognized Municipal Securities Information Repository (a "NRMSIR") then recognized by the Securities and Exchange Commission for purposes of the Rule and to any public or private repository designated by the State of Indiana as the state depository (the "SID") and recognized as such by the Securities and Exchange Commission for purposes of the Rule. The Obligors are required to deliver such information so that such entities receive the information by the dates specified in the Continuing Disclosure Agreement.

"Annual Information" means statistical, payor and financial data of the type included in APPENDIX A of this Official Statement.

Events Notification; Material Events Disclosure

The Obligors covenant that they will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the "MSRB") and to the SID, if any, and to the Trustee in a timely manner the disclosure of the occurrence of any of the events described below with respect to the Bonds that is material, as materiality is interpreted under the Securities Exchange Act of 1934, as amended. The events are:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. modifications to rights of holders of the Bonds;
8. bond calls (other than scheduled mandatory sinking fund redemptions for which notice is given in accordance with the Indenture);
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds; and
11. rating changes.

Consequences of Failure of the Obligors to Provide Information

The Obligors shall give notice in a timely manner to each NRMSIR or to the MSRB and Trustee and to the SID, if any, of any failure to provide disclosure of Annual Information and audited financial statements when the same are due under the Continuing Disclosure Agreement.

In the event of a failure of the Obligors to comply with any provision of the Continuing Disclosure Agreement, the Beneficial Owner of any Bonds may seek specific performance by court order, to cause the Obligors to comply with their obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, the Master Indenture, the Series 2005 Notes or the Loan Agreement, and the sole remedy under the Continuing Disclosure Agreement shall be an

action to compel performance. Neither the Obligors nor any officer, director, employee or agent thereof shall be liable for any claims for monetary damages or attorney's fees whatsoever for any breach of the Continuing Disclosure Agreement.

Modification

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Obligors and the Trustee may amend or modify the Continuing Disclosure Agreement, if either:

(1) (a) the amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Obligors or type of business conducted;

(b) the Continuing Disclosure Agreement, as so amended or modified would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) such amendment or modification does not materially impair the interests of the Beneficial Owners of the Bonds, as determined either by parties unaffiliated with the Authority or the Obligors (such as the Trustee or nationally recognized bond counsel) or an approving vote of the holders of the requisite percentage of Outstanding Bonds as required under the Indenture at the time of such amendment or modification; or

(2) such amendment or modification (including an amendment or modification which rescinds the Continuing Disclosure Agreement) is permitted by the Rule, as then in effect.

Termination of Continuing Disclosure Agreement

The Continuing Disclosure Agreement shall terminate upon the earlier of (i) the date of the last payment of principal or redemption price, if any, and interest to accrue on, all the Bonds or (ii) the date the Bonds are defeased pursuant to the provisions of the Indenture.

Dissemination Agent

The Obligors may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out their obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds at a purchase price of $194,637,605. The difference between the par amount of the Bonds and the purchase price is comprised of an underwriting discount of $292,395. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds, if any are purchased, and contains the agreement of the Obligated Group to indemnify the Underwriter and the Authority against certain liabilities.

FINANCIAL STATEMENTS

The consolidated financial statements of Parkview Health System, Inc., as of December 31, 2004 and 2003 and for the years then ended, included in this Official Statement have been audited by Ernst & Young, LLP, independent auditors, as stated in their report appearing in APPENDIX B herein. Parkview Health System., Inc. controls, directly or indirectly, the hospitals described herein and a number of other entities whose assets, liabilities and results of operations are included in the audited Financial Statements included in APPENDIX B. The

information describing the financial condition of the System contained in this Official Statement includes information with respect to certain members of the System who are not members of the Obligated Group. As of December 31, 2004, Members of the Obligated Group constituted approximately 82% of the annual net operating revenue of the System.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Bonds, Causey Demgen & Moore Inc., independent certified public accountants, will verify from the information provided to them (i) the mathematical accuracy as of the date of the closing on the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements of the Refunded 1998 Bonds, and (ii) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is excludable from gross income for federal income tax purposes. Causey Demgen & Moore Inc. will express no opinion on the assumptions provided to them, nor on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

MISCELLANEOUS

The foregoing and subsequent summaries and descriptions of provisions of the Bonds, the Indenture, the Loan Agreement, the Standby Bond Purchase Agreements, the Master Indenture and the Series 2005 Notes and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of their provisions. The appendices attached hereto are a part of this Official Statement.

This Official Statement has been approved by the Authority and executed by the Corporation, as Obligated Group Representative. This Official Statement is not to be considered as a contract or agreement between the Authority, or the Obligated Group and the purchasers or holders of any of the Bonds.

INDIANA HEALTH AND EDUCATIONAL
FACILITY FINANCING AUTHORITY

By: /s/ Ryan C. Kitchell
Vice Chair

PARKVIEW HEALTH SYSTEM, INC., on behalf of itself and Parkview Hospital, Inc., as Obligated Group Representative

By: /s/ Robert H. Carlisle
Chief Financial Officer

APPENDIX A

INFORMATION CONCERNING
PARKVIEW HEALTH SYSTEM, INC.

TABLE OF CONTENTS

OVERVIEW OF PARKVIEW HEALTH SYSTEM, INC.

Parkview Health System, Inc. ("PH"), an Indiana private, nonprofit organization (exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code")), is a health care system that provides services in Northeast Indiana. PH's mission is to provide quality health care services to all who entrust their care to PH and to improve the health of the community.

Services provided by PH include: acute, non-acute, and tertiary care services on an inpatient, outpatient and emergency basis; managed care contracting; health care diagnostic and treatment services for individuals and families; home health care; and behavioral health care. The principal operating activities of PH are conducted by wholly owned or controlled affiliates and subsidiaries.

PH is the sole corporate member of Parkview Hospital, Inc. ("PVH"), which operates Parkview Hospital, a 587-bed acute care hospital located in Fort Wayne, Indiana. PVH also operates Parkview North Hospital, a 38-bed acute care hospital, and The Orthopedic Hospital at Parkview North, a 24-bed orthopedic specialty hospital, both located on the north side of Fort Wayne. In addition, PH is the sole corporate member of Huntington Memorial Hospital, Inc., Whitley Memorial Hospital, Inc., Community Hospital of Noble County, Inc. and Community Hospital of LaGrange County, Inc., each of which operates an acute care community hospital and related facilities in the Northeast region of Indiana. These hospitals are collectively the "Hospital Affiliates."

PH and PVH are the sole members of Managed Care Services, LLC, which provides managed care contracting and contract management services to the Hospital Affiliates. PH also owns and operates several physician offices and a managed care organization, Signature Care PPO.

PH had annual operating revenues of approximately $600 million in 2004. Current major construction projects include (1) renovation and expansion of Parkview North Hospital to add obstetrical, neonatal and gynecological services, (2) renovation and expansion of The Orthopedic Hospital to add additional operating rooms and (3) construction of an ambulatory surgery center and a cancer center on the Parkview North Hospital site.

The following chart displays the legal entity names, marketing brand names and the acronyms for each significant entity within PH, hereinafter referred to collectively as the "System."

Legal Name	Marketing Brand (d/b/a) Name	Acronym
Parkview Health System, Inc.	Parkview Health	PH
Parkview Hospital, Inc.	Parkview Hospital	PVH
Huntington Memorial Hospital, Inc.	Parkview Huntington Hospital	PHH
Whitley Memorial Hospital, Inc.	Parkview Whitley Hospital	PWH
Community Hospital of Noble County, Inc.	Parkview Noble Hospital	PNH
Community Hospital of LaGrange County, Inc.	Parkview LaGrange Hospital	PLH
Managed Care Services, LLC	Managed Care Services	MCS

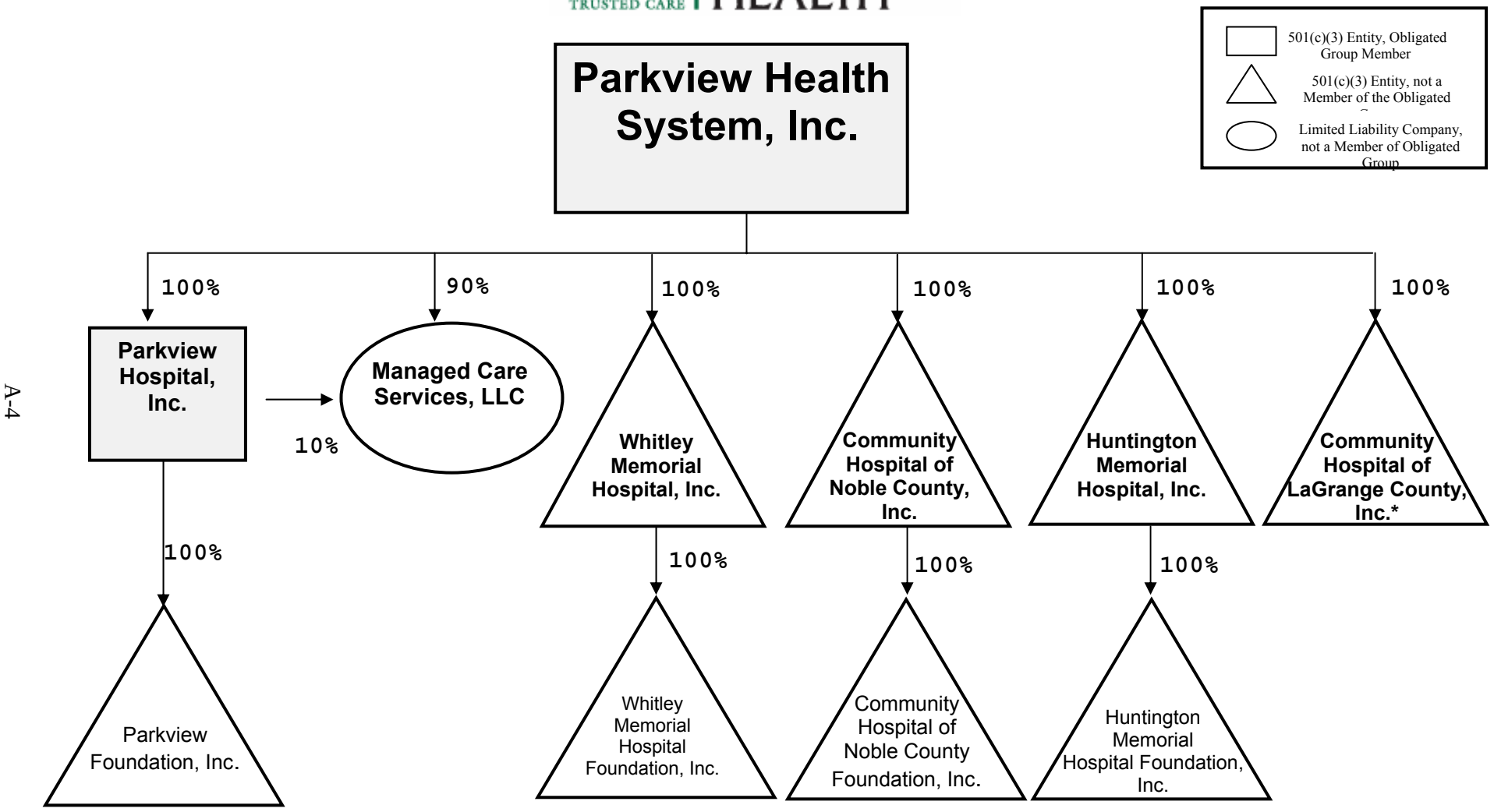
Upon the issuance of the Bonds, PH and PVH will be the only Members of the Obligated Group, and, therefore, the only entities liable to make payments on the Series 2005 Notes. No other member of the System will have any obligation to make payments on the Series 2005 Notes. Currently, there are no plans for additional entities to join the Obligated Group.

See Appendix C for definitions of certain capitalized words and terms used and not otherwise defined in this Appendix A.

ORGANIZATIONAL CHART

Set forth on the following page is an organizational chart reflecting the corporate structure of PH and its significant subsidiaries and affiliates.

PARKVIEW TRUSTED CARE | PARKVIEW HEALTH



* 501(c)(3) status will be applied for

THE OBLIGATED GROUP

PH and PVH will be the only members of the Obligated Group upon the issuance of the Bonds. The Members of the Obligated Group will be jointly and severally liable for the payment of debt service on the Series 2005 Notes. PH and PVH represent approximately 82% of the annual net operating revenue of the System. All figures shown hereafter are for the total System.

Parkview Health System, Inc.

PH provides overall management, planning, financial services, human resources, information technology and marketing functions for the System. PH is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c) of the Code (a "501(c)(3) Entity"). As a 501(c)(3) Entity and a parent organization in an integrated delivery system, PH operates to provide a full continuum of healthcare services, promote the provision of cost-effective, high quality healthcare services, ensure its Hospital Affiliates operate in a cost-effective manner, preserve and promote long-standing commitments of its Hospital Affiliates to the provision of charitable healthcare, support the activities of and provide a source of capital for its Hospital Affiliates, and to further other tax-exempt purposes in the northeast Indiana region. To ensure PH is able to act in furtherance of its tax-exempt purposes in concert with its Hospital Affiliates, PH maintains and exercises certain reserve powers over the operations of the Hospital Affiliates. These reserve powers include, but are not limited to, appointing or removing board members of the Hospital Affiliates, approving budgets of the Hospital Affiliates, directing the transfer of assets of the Hospital Affiliates, approving the incurrence of debt by Hospital Affiliates, and approving changes to bylaws or articles of incorporation of the Hospital Affiliates.

In addition to being the sole corporate member of the Hospital Affiliates, PH owns and operates 19 primary care physician offices located in the following five Indiana counties: Allen, Huntington, Whitley, Noble and Kosciusko. These practices employ a total of 40 primary care physicians.

PH owns and manages a regional managed care organization, Signature Care PPO, which has approximately 60,000 covered lives in the System's service area.

PH participates in a joint venture which owns and operates a multispecialty ambulatory surgery center called Premier Surgery Center, LLC. PH also participates in a joint venture that owns and operates several diagnostic imaging service companies, and in a joint venture that operates a cancer center in Angola, Indiana.

Parkview Hospital, Inc.

PVH, formerly Parkview Memorial Hospital, Inc., is an Indiana nonprofit corporation which owns and operates acute care hospitals and related healthcare facilities (the "PVH Facilities") located in Fort Wayne, Indiana. PVH is a 501(c)(3) Entity. PVH owns and operates Parkview Hospital, the largest acute care hospital in the 14 county service area, which serves as a regional referral center. Parkview Hospital operates 557 adult and pediatric beds, 30 neonatal intensive care bassinets, and 40 newborn bassinets. Other facilities owned by PVH located on the approximately 50-acre main campus of Parkview Hospital include: the Parkview Behavioral Health Psychiatric Hospital, a 105-bed free-standing facility; English Hall; a central utility plant; several physician and medical office buildings; Parkview Health and Fitness Center; Educare Child Care Center; a free-standing surgical/ancillary service center; and Parkview Regional Oncology Center.

In January 2005, PVH opened the Parkview Heart Institute, a 93,000 square foot, three-level structure providing acute, outpatient and rehabilitation cardiac care in a central location. Parkview Heart Institute is adjacent and connected to Parkview Hospital.

PVH owns several additional facilities in Fort Wayne, including the Information Technology Center for the System, a building several blocks from the Parkview Hospital, and a medical office building located in the northern section of Fort Wayne. Approximately 70% of this medical office building is used for physician offices (primarily

family practice), with the remainder of the facility used by PVH to provide outpatient services. PVH also owns and operates a regional reference lab.

PVH owns and operates Parkview North Hospital, which opened in January 2002. Parkview North Hospital is a 38-bed acute care hospital located on a 60-acre campus located on the north side of Fort Wayne, one of the fastest growing areas in Allen County. Interstate Highway 69, a major North/South throughway, borders the campus to the west. The Orthopedic Hospital at Parkview North, a 24-bed orthopedic specialty hospital, and a 55,000 square foot medical office building also are located on the north campus.

Due to strong patient demand, two additional operating rooms are being constructed for The Orthopedic Hospital at Parkview North. The 5,900 square foot addition is scheduled to open in July 2005. PVH is planning the relocation of its gynecological, obstetrics and neonatal service line from the main campus of Parkview Hospital to Parkview North Hospital. A $20 million, 75,000 square foot addition/renovation to the existing Parkview North Hospital is planned to open in early 2007. In addition, preliminary planning has begun to construct a 100,000 square foot ambulatory surgery center and cancer center on the north campus that would open in 2007.

PVH has approved financing the acquisition, construction, renovation and remodeling of the capital projects described above and further described under the caption "PLAN OF FINANCE – The Project" in this Official Statement (the "PVH Projects"). All or a portion of the cost of the PVH Projects will be financed from the proceeds of the Bonds.

PH and PVH are considering shifting additional service lines from PVH's main campus to Parkview North with the Parkview North campus ultimately becoming the tertiary care hospital for PVH.

PVH participates with radiation oncologists in a joint venture which owns and operates a cancer center in Angola, Indiana. This center serves lower Michigan, Northwest Ohio and Northeast Indiana.

RELATED ENTITIES

The following related entities are not Members of the Obligated Group and have no obligation to make payments on the Series 2005 Notes. PH is the sole corporate member of each related entity. Collectively, the related entities represent approximately 18% of the annual net operating revenue of the System.

Whitley Memorial Hospital, Inc.,

PWH, an Indiana nonprofit corporation, owns and operates an acute care hospital and other related healthcare facilities ("PWH Facilities") located in Columbia City, Indiana. The Whitley County Memorial Hospital, a county hospital, served the Whitley County, Indiana community since 1951. The PWH hospital currently operates 37 beds. In addition to the hospital, PWH owns the Lemberg Building, a medical office building on the campus of the hospital; the Linville Building, an offsite fitness center; The Oaks and Oak Pointe, an offsite 81-bed nursing home and a 46-unit assisted living center, respectively; and an office building.

Huntington Memorial Hospital, Inc.

PHH is an Indiana nonprofit corporation that operates an acute care hospital and other related facilities (the "PHH Facilities") located in Huntington, Indiana. Huntington Memorial Hospital was established in 1902 as a county-owned facility serving Huntington County, Indiana. This facility was rebuilt in 1917 with 25 acute care beds. In 1997, PHH affiliated with PH and acquired Huntington Memorial Hospital.

In 2000, a new 24-bed acute care facility replaced the previous facility. Due to increased demand, a 12-bed addition was completed in 2003. The previous hospital facility was demolished. The land was developed into a park and donated to the City of Huntington. The new PHH hospital is located on US Highway 24 (the main

Northeast/Southwest highway of Huntington County). The PHH hospital is owned by PH and leased to PHH. In addition, a medical office building was constructed by PH, adjacent to the new PHH hospital.

Community Hospital of Noble County, Inc.

PNH is an Indiana nonprofit corporation that operates an acute care hospital and other related care facilities (the "PNH Facilities") located in Kendallville, Indiana. McCray Memorial Hospital, Inc., PNH's predecessor, was a county-owned 43-bed acute care hospital serving Noble County, Indiana, since 1927.

In July 2004, a new 30-bed acute care facility replaced the existing facility. The old hospital facility was demolished, and the land was donated to the City of Kendallville. The new facility is located off US Highway 6, on the Northwest side of Kendallville, the main East/West highway in Noble County. The PNH hospital is owned by PH and leased to PNH. A new medical office building was constructed adjacent to the new PNH hospital.

Community Hospital of LaGrange County, Inc.

PLH is an Indiana nonprofit corporation that owns and operates an acute care hospital and other related care facilities (the "PLH Facilities") located in LaGrange, Indiana. PLH was formed in February 2005 and will apply for 501(c)(3) recognition later this year. Kindred Healthcare, Inc., d/b/a LaGrange Community Hospital, PLH's predecessor, was a for-profit, 25-bed acute care hospital serving LaGrange County, Indiana since 1985. The hospital also operates 10 rehabilitation beds. The facility was built in 1950 and underwent significant renovation in 1972.

Managed Care Services, L.L.C.

MCS is an Indiana for-profit, limited liability company. PH and PVH are the sole members of MCS, with PH holding a majority interest in MCS. MCS provides managed care contracting and contract management services primarily for the Hospital Affiliates and other healthcare providers associated with the System. To support the activities of MCS in a manner consistent with the objectives of the System, PH maintains and exercises certain reserve powers over the operation of MCS that are consistent with those maintained and exercised over the Hospital Affiliates.

Parkview Foundation, Inc.

Parkview Foundation, Inc. (the "Foundation") is a 501(c)(3) Entity and nonprofit corporation organized in 1972 to obtain funds through charitable contributions and authorized by PVH to solicit contributions on its behalf. PVH became the sole corporate member of the Foundation in 1998. PVH's reserve powers with respect to the Foundation include the right to appoint directors, adopt budgets, transfer assets and approve any amendments to the bylaws. As of December 31, 2004, the assets of the Foundation totaled $12,512,000.

Whitley Memorial Hospital Foundation, Inc.
Community Hospital of Noble County Foundation, Inc.
Huntington Memorial Hospital Foundation, Inc.

Whitley Memorial Hospital Foundation, Inc., Community Hospital of Noble County Foundation, Inc. and Huntington Memorial Hospital Foundation, Inc. ("Community Hospital Foundations") are 501(c)(3) Entities and nonprofit corporations. They were organized in 1985, 1999, and 2003 respectively, to solicit and receive contributions on behalf of the respective hospitals. Gifts of cash, securities, property, bequests, trusts, gift annuities and life insurance are received by the Community Hospital Foundations from individuals, corporations, foundations and other entities. As of December 31, 2004, the Community Hospital Foundations' assets totaled $1,004,000, $2,060,000 and $301,000, respectively.

GOVERNANCE

Parkview Health System, Inc.

PH is currently governed by a 18-member Board of Directors. The bylaws of PH provide that the Board of Directors shall be composed of no more than 19 directors. The Board consists of both elected and ex-officio members. Ex-officio members serve without the necessity of election but have full voting powers equal to elected members. The Board must include: three physicians, one each from the Fort Wayne, Whitley, and Huntington communities; two additional physicians who may be from any geographic area served by PH or its affiliates; five ex-officio voting members consisting of the chairpersons of each Hospital Affiliate and the Chief Executive Officer of PH; three at-large community leaders, who must be members of the Board of PVH at the time of their nomination to the PH Board; and six at-large community leaders. As a further qualification, the foregoing board members must include at least two individuals who are not residents of Allen County, Indiana.

Elected directors serve for a term of three years and/or until a successor has been duly elected and qualified. Terms of elected directors are set so that each year one-third of the Board is elected at each annual meeting to ensure overlapping terms.

The current board of directors of PH is shown below:

PH Board Members	Occupation or Affiliation	Position	Term Expires
Kathleen Anderson	Attorney Barnes & Thornburg	Member	2007
John R. Brooks	President Brooks Construction Company, Inc	Vice-Chairman	2005
Raymond Dusman, MD	Fort Wayne Cardiology/IMA	Treasurer	2005
David Haist	Executive Vice-President & COO Do-It-Best Corporation	Member	2006
Marjorie Hiner	President Hiner Transport	Secretary	2006
Duane Hougendobler, MD	Pediatric Medical Group	Member	2007
Scott Karr, MD	Orthopedics Northeast	Member	2007
Charles H. Mason, Jr.	President & CEO Parkview Health	Ex-Officio	N/A
Larry Rowland	Nxt Star Ventures	Chairman	2005
Joseph D. Ruffolo	President Ruffolo Benson, LLC	Member	2005
Charles R. Schrimper	Chief Executive Officer Group Dekko, Chair of PNH Board	Ex-Officio	N/A
Wil Smith	President Smith & Associates Consulting, LLC	Member	2007
Kevin Snell	Assistant Vice-President Star Financial Bank, Chair of PWH Board	Ex-Officio	N/A
James A. Stapel, DO	Whitley Medical Associates	Member	2006
Mitchell Stucky, MD	First Care Family Physicians	Member	2006

PH Board Members	Occupation or Affiliation	Position	Term Expires
Deborah Sturges	Senior Vice-President Waterfield Mortgage, Chair of PVH Board	Ex-Officio	N/A
Thomas B. Walsh	Vice-President & CFO Hupp Aerospace & Defense	Member	2007
Ryan M. Warner	President Bippus State Bank, Chair of PHH Board	Ex-Officio	N/A

Parkview Hospital, Inc.

The Board of Directors of PVH consists of no more than 18 directors, the exact number of which is fixed from time to time by resolution of the Board. The ex-officio members of the Board consist of the President of the medical staff, the immediate past President of the medical staff, the President-elect of the medical staff, the President of PVH, the Superintendent of the Fort Wayne District of the United Methodist Church and the Chief Executive Officer of PH. The remaining elected directors are selected from among persons who are residents of the service area of PVH.

Directors of PVH are appointed by PH. Terms of all members are set so that each year one-third of the Board is elected at the annual meeting to ensure overlapping terms. The term for a director is three years and/or until a successor has been duly elected and qualified.

Pursuant to a Network Agreement between PH and PVH, PH exercises certain reserve powers with respect to PVH, including, but not limited to: appointing and removing with cause directors of the PVH Board, appointing and removing with or without cause the President of PVH, approving and adopting strategic plans, capital and operating budgets of PVH, approving incurrence of debt and transfer of assets, approving participation of PVH in mergers, joint ventures, affiliations, etc., approving PVH's participation in managed care agreements, developing quality assurance and utilization review standards for medical staff, approving a change in PVH's status from an acute care hospital or approving a decision to close PVH and approving amendments to bylaws or articles of incorporation of PVH.

The current Board of Directors of PVH is shown below:

PVH Board Members	Occupation or Affiliation	Position	Term Expires
Seetha Atluri, MD	Preferred Anesthesia Consultants	Ex-Officio	N/A
Larry Bagwell	President & CEO Rea Magnet Wire Co., Inc	Vice-Chairman	2005
Tom Beaver	President Indiana Stamp Company	Member	2006
James Dozier, MD	Fort Wayne Neurological Center	Ex-Officio	N/A
Raymond Dusman, MD	Fort Wayne Cardiology/IMA	Ex-Officio	N/A
Duane Erwin	President Parkview Hospital, Inc.	Ex-Officio	N/A
David Haist	Executive Vice-President & COO Do-It-Best Corporation	Treasurer	2006
Herb Hernandez	CEO Asset & Estate Management, Inc	Member	2007

PVH Board Members	Occupation or Affiliation	Position	Term Expires
Rev. Lamar Imes	Superintendent, Fort Wayne District United Methodist Church	Ex-Officio	N/A
Charles H. Mason, Jr.	President & CEO Parkview Health	Ex-Officio	N/A
Carl Miller	Regional President Wells Fargo Bank Indiana/Ohio	Member	2007
Rosetta Moses-Hill	Allen County Local Education Fund	Secretary	2006
Wendy Robinson, EdD	Superintendent Fort Wayne Community Schools	Member	2007
Wil Smith	President Smith & Associates Consulting, LLC	Member	2005
Deborah Sturges	Senior Vice-President Waterfield Mortgage	Chairman	2007

Conflict of Interest Policy

Parkview Health has adopted a policy on conflicts of interest, which policy is applicable to Parkview Health and its affiliate corporation and each of their board members, officers and key management personnel. This conflicts of interest policy requires that these board members, officers and key management personnel disclose any conflicting interest (by virtue of service as a member, shareholder, trustee, owner, partner, officer or employee) in an organization that competes with Parkview Health or an affiliate of Parkview Health, or is involved in an adversarial matter with Parkview Health or an affiliate. In addition, board members, officers and key management personnel must disclose any financial arrangement, whether through a personal, family or business interest, that is with Parkview Health or an affiliate of Parkview Health.

This conflicts of interest policy permits Parkview Health or an affiliate of Parkview Health, to enter into a transaction with a person who has a conflicting or financial interest, provided that this fact is disclosed to or is known by the appropriate board and that the person having such conflict does not participate in any decision of the entity with regard to the arrangement creating the conflicting or financial interest.

Certain Existing Relationships

Kelly Borror, PVH's Continuing Care Center Administrator, is a member of the Indiana Health and Educational Facility Financing Authority.

EXECUTIVE MANAGEMENT

The strategic planning and operations of the System are overseen by the key officers described below.

CHARLES H. MASON, JR., President & Chief Executive Officer of PH (age 64). Mr. Mason joined PH in September 1997. Mr. Mason received a Bachelor of Arts degree from Emory & Henry College in Emory, Virginia, and a Masters in Hospital Administration from Washington University Medical School in St. Louis, Missouri. Mr. Mason began his career in healthcare administration at Lankenau Hospital in Philadelphia, Pennsylvania, as an Administrative Resident and Administrative Assistant. After two years, he moved to Mt. Holly, New Jersey, and served as the Assistant Administrator at Burlington County Memorial Hospital. After three years, he was recruited by Wesson Memorial Hospital in Springfield, Massachusetts, as Senior Vice President and Chief Operating Officer. After six years in this position, he moved to Burlingame, California, where he served as President and Chief Executive Officer of Peninsula Hospital and Medical Center for ten years. Shortly thereafter, with the merging of

Mills Hospital and Peninsula Hospital, Mr. Mason became the President and Chief Executive Officer of Mills-Peninsula Hospital, Mills-Peninsula Health System where he served for 11 years. During this period, he also served as the Senior Vice President of the California Healthcare System. Due to a merging of the California Healthcare System and Sutter Health in 1996, Mr. Mason then became the Senior Vice President of Executive Services with Sutter/CHS. He was recruited by PH in 1997. Mr. Mason has served on numerous state boards as well as regional and national boards during his career. He is currently a member of the American Hospital Association as well as Fellow and Member of the American College of Healthcare Executives. He is currently Chairman of the Indiana Hospital & Health Association and Chairman of the Northeast Indiana Corporate Council.

Mr. Mason announced he will be retiring effective January 15, 2007. The System expects to form a search committee to identify a successor to Mr. Mason.

DUANE ERWIN, JD, President of PVH (age 57). Mr. Erwin has been with the organization since September 2000. From 2000 to 2002, he served as Executive Vice President, Strategic Direction & Business Development for PH and assumed the position of President of PVH in February 2002. Mr. Irwin received his BA from Kent State University in 1970 and a Juris Doctorate Degree from Duquesne University School of Law in 1973. He was associated with a general practice law firm until 1976 when he joined Blue Cross of Lehigh Valley in Allentown, Pennsylvania, where he remained until 1985. His last position with Blue Cross was Senior Vice President of Marketing. In 1985, Mr. Erwin moved to the provider community and has served in a variety of positions with a number of health systems. Prior to joining PH, he was President and Chief Executive Officer for the Franciscan Medical Center, Dayton, Ohio, from 1997 to 2000. Mr. Erwin is a Diplomate in the American College of Health Care Executives.

ARTHUR DeTORE, MD, MBA, Executive Vice President, Strategic Direction & Business Development for PH (age 52). Dr. DeTore came to the organization in February 2002. His responsibilities include leading the development and implementation of PH's strategic plan business development. Dr. DeTore received his Bachelor's degree from Harvard University in 1975, Doctor of Medicine degree from Tufts University in 1980 and Master's of Business Administration from the University of Tennessee in 1996. Dr. DeTore is board certified in internal medicine. He practiced medicine in Springfield, Massachusetts, from 1981 to 1986 at which time he became the associate medical director at Lincoln Reinsurance. Prior to leaving Lincoln Reinsurance, Dr. DeTore was Vice President, Director, Strategic Planning and Knowledge Management.

ROBERT H. CARLISLE, CPA, Chief Financial Officer, PH (age 59). Mr. Carlisle has been employed at PH since March 1999. His current responsibilities include Finance, Patient Accounting, Materials Management, Managed Care and Treasury Management. He received a Bachelor of Business Administration from Marshall University in 1972 and his Master's of Business Administration degree from Rollins College in 1985. He is a Fellow in the Healthcare Financial Management Association and a Diplomate in the American College of Health Care Executives. He received his CPA certificate from Florida in 1983. Prior to joining PH, Mr. Carlisle served a total of nine years as Chief Financial Officer at Sherman Health System in Elgin, Illinois. Prior to Sherman, he was a Regional Director of Finance for Hospital Management Professionals in Naperville, Illinois, where he had responsibility for eight to ten hospitals. Mr. Carlisle also served as Chief Financial Officer at Memorial Medical Center in Savannah, Georgia, and Central Florida Regional Hospital in Sanford, Florida, both of which were part of Hospital Corporation of America. Mr. Carlisle began his career at Fort Lauderdale, Florida in 1972 with Ernst & Ernst as a Certified Public Accountant.

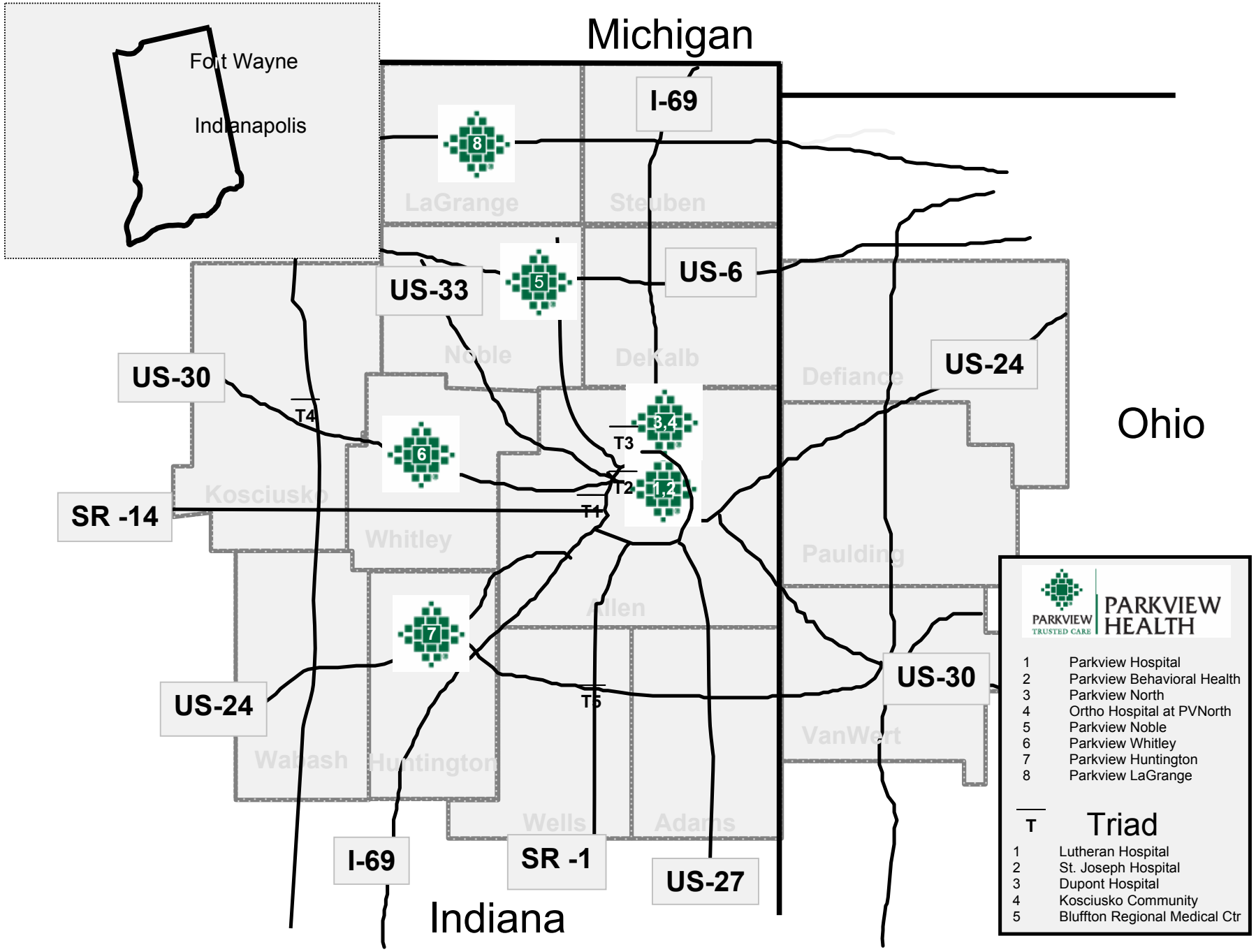
CANDY J. KNOWLES, SPHR, Senior Vice President of Human Resources, PH (age 45). Previously, Ms. Knowles was Senior Vice President of Human Resources for Phoebe Putney Health System in Albany, Georgia. She has worked with a wide variety of employers in leading and developing the human resources function. Ms. Knowles has a Master degree in Healthcare Administration from Cardinal Stritch University in Milwaukee, Wisconsin. She received her undergraduate degree from Lakeland College in Sheboygan, Wisconsin. She is a Fellow in the American College of Healthcare Executives and is certified as a Senior Professional in Human Resources through the Society of Human Resources Management. Ms. Knowles is a member of the American College of Healthcare Executives, American Society for Healthcare Human Resources Administration, Society for Human Resources Management, American Hospital Association and the VHA Human Resources Affinity Group.

W. DAVID HOLLOWAY, MD, Senior Vice President and Chief Quality Officer, PH (age 48). Dr. Holloway joined PH in January 2002. Dr. Holloway received his medical degree from the University of Oklahoma and completed postgraduate training at the University of Oklahoma-Tulsa and University of North Carolina-Chapel Hill. He is Board-Certified in both Family Practice and Medical Management. Dr. Holloway practiced family medicine from 1985 until 1994. He joined St. John Health System in Tulsa as a vice-president of the health system and president of OMNI Medical Group, an 80-physician primary care group. He led innovative programs such as implementation of electronic medical records and evidence based care, as well as leading quality and process improvement initiatives. Since joining Parkview Health, Dr. Holloway has provided leadership for quality and patient safety initiatives across the health system, including e-ICU, non-punitive event reporting, rapid process improvement projects and continuous accreditation readiness. Dr. Holloway has spoken at national conferences on Evidence Based Medicine and Physician Leadership Development. In 2001, Dr. Holloway was featured on the cover of Health Leaders Magazine as a leading physician innovator. He is a Fellow of the American Academy of Family Physicians and a Certified Physician Executive of the American College of Physician Executives.

PATRICIA A. THOMPSON, Senior Vice President and Chief Information Officer for PH (age 69). Mrs. Thompson joined PH in January of 2000. She has earned a Bachelor of Science Degree in Health Services Administration from Whitworth College and a Master of Science Degree in Health Administration from the University of Colorado. Mrs. Thompson brings 30 years of experience in the healthcare industry to PH. Prior to joining PH, Mrs. Thompson was a director in a consulting practice and transition management of healthcare information systems. She has also served as Executive Director and Chief Operating Office of a not-for-profit organization of two competitive regional health care systems; Administrator and Chief Operating Officer of a 140-bed community hospital; Vice President of Strategic Services for a regional healthcare system; Vice President of Information Systems and Planning for a 350-bed tertiary medical center; and Director of Information Systems for a 500-bed medical center. Mrs. Thompson also has experience in banking and insurance information systems. Mrs. Thompson was the recipient of the 1997 YWCA Woman of Achievement Award. Mrs. Thompson's memberships and affiliations have included: Advisory Committee for Washington State University – Masters in Health Administration; Health Improvement Partnership Board; and the Eastern Washington University Foundation Board.

CATHERINE A. WILCOX, Senior Vice President, Corporate Counsel for PH (age 47). Ms. Wilcox has been practicing law for 21 years, specializing in health care law. Ms. Wilcox joined PH in April of 1998. She is responsible for compliance, legal and risk management functions for PH. She received a Bachelor of Arts Degree from the College of the Holy Cross in Worchester, Massachusetts, and a Juris Doctorate Degree from the University of Tulsa College of Law in Tulsa, Oklahoma. Prior to joining PH, Ms. Wilcox was a partner in the law firm of Rothberg & Logan in Fort Wayne, Indiana. Rothberg & Logan served as general counsel to PH, where she practiced for 11 years, and while there, Ms. Wilcox handled legal matters for PH. Prior to joining Rothberg & Logan, Ms. Wilcox was a law clerk to an Indiana judge, was a Barrister in the American Inns of Court and was an emergency medical technician.

MARY ANN STABILE, Senior Vice President, Patient Care Services for PVH (age 61). Ms. Stabile came to PVH in December 2002 with 12 years experience as a Nurse Executive. She currently oversees inpatient nursing operations, perioperative services, emergency services and rehabilitation at PVH. Ms. Stabile received her Bachelor Degree in Nursing from the University of Michigan and her Masters Degree in Nursing from the University of Colorado. She is a member of the American Organization of Nurse Executives and the American College of Healthcare Executives. Throughout her career she has served on various committees involved in the recognition and prevention of domestic violence including the Illinois Governor's Committee.


Michigan
Fort Wayne
Indianapolis
I-69
US-6
US-33
US-30
US-24
SR -14
US-24
US-30
I-69
SR -1
US-27
Indiana
Ohio
LaGrange
Steuben
Noble
DeKalb
Defiance
Kosciusko
Whitley
Paulding
Allen
Wabash
Huntington
Wells
Adams
VanWert
T1
T2
T3
T4
T5
8
5
6
3,4
1,2
7
PARKVIEW HEALTH
PARKVIEW TRUSTED CARE
1 Parkview Hospital
2 Parkview Behavioral Health
3 Parkview North
4 Ortho Hospital at PVNorth
5 Parkview Noble
6 Parkview Whitley
7 Parkview Huntington
8 Parkview LaGrange
T Triad
1 Lutheran Hospital
2 St. Joseph Hospital
3 Dupont Hospital
4 Kosciusko Community
5 Bluffton Regional Medical Ctr

SERVICE AREA

Demographics

The System identifies the primary service area for the Hospital Affiliates as the Indiana counties of Allen, Huntington, LaGrange, Noble, and Whitley, which collectively, had an estimated population of 496,000 in 2004. The System identifies the secondary service area for the Hospital Affiliates as six other counties in northeastern Indiana and three counties in northwestern Ohio. The population of the total service area is estimated at 829,000 in 2004.

The historical and projected population data for the Hospital Affiliates' service area are presented in the following table:

	2001	2004	Projected 2009
Primary Service Area Population	430,000	496,000	513,000
Secondary Service Area Population	356,000	333,000	333,500
Total	786,000	829,000	846,500

Source: Claritas, Inc.

Major Employers

With respect to employment in the Hospital Affiliates' service area, the most recent data indicates that the non-manufacturing sector employment represents 82% of total employment in the five county, primary service area. Important non-manufacturing subsectors include trade, with 16% of the total employment, and services with 24% of the total employment. The manufacturing sector employment accounts for 18% of total area employment. The secondary service area counties are primarily rural in nature and are oriented heavily toward agricultural employment. The primary service area experienced an unemployment rate of 5.9% in March 2005. Unemployment rates for the State of Indiana and the United States were 6.0% and 5.2%, respectively, for the same period. All statistics are from the Fort Wayne Chamber of Commerce.

As of April 2004, the top five employers in the Fort Wayne area are:

Employer	Employees
Parkview Health System	6,111
Lutheran Health Network (Triad)	4,200
Fort Wayne Community Schools	3,626
General Motors	3,000
North American Van Lines	3,000

Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; Indiana Department of Workforce Development; Fort Wayne Chamber of Commerce; and Harris Telemarketing

Other Service Area Hospitals

Other acute-care general hospitals located in Allen County include The Lutheran Hospital of Indiana ("Lutheran Hospital"), which has a total complement of 343 beds, and the St. Joseph Medical Center ("St. Joseph Hospital"), which has a total complement of 191 beds. Triad Hospitals, Inc. ("Triad"), the third largest publicly-

owned hospital company in the United States, owns both Lutheran Hospital and St. Joseph Hospital. Triad also operates a 60-bed rehabilitation facility on the campus of Lutheran Hospital and an 87-bed acute care hospital, Dupont Hospital, on the north side of Fort Wayne in Allen County. Dupont Hospital provides obstetrical, general medical, general surgery, and emergency services.

Also located in Fort Wayne is a 79-bed Veterans Administration Medical Center.

There are no other acute care, general, community hospitals in Huntington, LaGrange, Noble, or Whitley Counties. There are nine other acute care, general, community hospitals, each under 150 beds, located in Indiana counties included in the secondary service area, including two hospitals owned by Triad. There also are four other acute care, general, community hospitals, each under 150 beds, located in the Ohio counties in the secondary service area.

The System draws patients and referrals from throughout northeastern Indiana and northwestern Ohio. The geographic origin of patients discharged from the Hospital Affiliates is shown in the following chart:

Hospital Affiliates
Primary Service Area Inpatient Volume Analysis
Total Year 2004

Primary Service Area		**Secondary Service Area**	
County		County	
Allen	52.3%	DeKalb	2.9%
Noble	8.0%	Steuben	2.3%
Huntington	7.5%	Kosciusko	2.5%
Whitley	7.1%	Wabash	2.5%
LaGrange	4.5%	Adams	1.2%
		Defiance (Ohio)	1.0%
		Paulding (Ohio)	1.0%
		Wells	0.8%
		Van Wert (Ohio)	0.6%
Total Primary	**79.4%**	**Total Secondary**	**14.8%**
Total Primary & Secondary Service Area			**94.2%**

Market Share

Primary Service Area Market Share Trends

	2002	2003	2004*
Parkview Hospital	39.6%	40.7%	39.6%
Parkview Huntington	3.5%	3.5%	3.8%
Parkview LaGrange	2.0%	2.1%	1.9%
Parkview Noble	2.7%	2.7%	2.9%
Parkview Whitley	3.0%	3.3%	3.0%
Parkview Health	50.8%	52.3%	51.2%
Lutheran	24.9%	23.4%	23.7%
St. Joseph	10.2%	9.4%	9.6%
Dupont Hospital	5.5%	6.2%	7.1%
Bluffton Regional	1.1%	1.0%	0.9%
Rehabilitation	0.9%	0.9%	0.9%
Kosciusko Community	0.2%	0.2%	0.2%
Triad	42.8%	41.1%	42.4%
Other	6.4%	6.6%	6.4%
	100.0%	100.0%	100.0%

*Through September 30, 2004

Source: Indiana Health and Hospital Association

Overall Market Share Trends

	2002	2003	2004*
Parkview Hospital	30.7%	31.5%	30.8%
Parkview Huntington	2.6%	2.7%	2.9%
Parkview LaGrange	1.4%	1.5%	1.4%
Parkview Noble	2.1%	2.0%	2.1%
Parkview Whitley	2.4%	2.6%	2.4%
Parkview Health	39.2%	40.3%	39.6%
Lutheran	23.1%	21.9%	22.3%
St. Joseph	7.9%	7.3%	7.5%
Dupont	4.3%	4.8%	5.6%
Kosciusko Community	4.6%	4.5%	4.5%
Bluffton Regional	3.4%	3.3%	3.1%
Rehabilitation	0.8%	0.8%	0.9%
Triad	44.1%	42.6%	43.9%
Other	16.7%	17.1%	16.5%
	100.0%	100.0%	100.0%

*Through September 30, 2004
Source: Indiana Health and Hospital Association (Excludes Ohio)

SERVICES OF THE HOSPITAL AFFILIATES

The following ancillary and support services are offered by the System:

Acute Renal Dialysis
Air Ambulance
Ambulatory Services
Antithrombolodic Clinic
Audiology
Behavioral Health Center
Cardiac Catheterization
Cardiac Recovery
Cardiac Rehabilitation
Cardiac Surgery
Cardiac Telemetry
Cardiovascular Studies
Chemotherapy Services
Clinical and Anatomical Laboratory
Computerized Tomography
Coronary Care
Diabetes Care
Diagnostic Radiology and Special Procedures
Electrocardiology
Emergency Department
Endoscopy
Enterostomal Therapy
Epidemiology/Infection Control
Family Practice Clinic
General Medicine
Home Healthcare
Hospice
Intensive Care
Internal Medicine Clinic
Labor and Delivery Service
Magnetic Resonance Imaging
Mammography
Neonatal
Nuclear Medicine
Nurseries (Intensive and Special Care)
Occupational Therapy
Oncology
Patient Education
Pediatric Clinics
Pediatrics
Perioperative Services
Pharmacy
Physical Therapy
Progressive Care
Radiation Therapy
Recovery Room
Rehabilitation Services
Respiratory Care
Skilled Care
Sleep Lab
Social Services
Speech Therapy
Stroke Center
Surgical Facilities
Trauma Care
Tumor Registry
Ultrasound
Women's Care

The System is the largest provider of Oncology and Behavioral Health services in its service area. PVH earned national verification as a Level II Trauma Center by the American College of Surgeons. Only three other Indiana hospitals, all in Indianapolis, have achieved this distinction. PVH also has earned designation as a Level II Pediatric Trauma Center, the second highest level possible.

PH is the leader in clinical research in the Northeast Indiana region. Current studies in progress are:

- Acute Myocardial Infraction
- Acute Stroke
- Cardiogenic Shock
- Carotid Artery Disease
- Congestive Heart Failure
- Coronary Artery Disease
- Hyperlipidemia
- Medical Informatics
- Medical Oncology
- Orthopedics
- Peripheral Vascular Disease

Bed Complement

The current combined bed complement of the Hospital Affiliates is as follows:

Service	Bed Complement
Medical/Surgical	238
Psychiatry	105
Coronary Care/Telemetry	99
Obstetrics/Gynecology	80
Orthopedic/Neurologic	75
Intensive Care	70
Rehabilitation	29
Skilled Nursing Facility	28
Pediatrics	14
Pediatric Intensive Care	6
Adult and Pediatric Subtotal	744
Neonatal Intensive Care	33
Total	777

MEDICAL STAFF OF THE HOSPITAL AFFILIATES

The combined Medical Staff of the Hospital Affiliates as of May 20, 2005, consisted of a total of 1,002 physicians on Active Staff. Information with respect to the physicians on the Active Staff of all the Hospital Affiliates as of May 20, 2005, is shown, collectively, on the following chart:

Combined Medical Staffs of Hospital Affiliates

	Total Physicians Primary Care	Board Certified Physicians
Emergency Medicine	61	59
Family Practice	150	142
General Practice	3	2
Internal Medicine	42	38
OB, GYN & Subspecialties	50	44
Pediatrics	59	51
Psychiatry	23	18
Other Specialties		
Allergy	8	8
Anesthesiology	69	63
Cardiology	41	41
Cardiovascular Surgery	18	16
ColoRectal Surgery	11	11
Critical Care Medicine	5	5
Dermatology	13	13
Endocrinology	7	7
Gastroenterology	24	24
General Surgery	30	30
Infectious Disease	3	3
Nephrology	21	20

	Total Physicians Primary Care	Board Certified Physicians	
Neonatology	5	5	
Neurology	13	13	
Neurosurgery	7	6	
Occupational Medicine	3	2	
Oncology/Hematology	17	17	
Ophthalmology	25	24	
Oral Surgery/Dentistry	18	13	
Orthopedic Surgery	58	56	
Otolaryngology	28	28	
Pain Medicine	2	2	
Pathology	11	11	
Phys. Medicine & Rehab	20	17	
Plastic Surgery	10	10	
Podiatry	24	15	
Pulmonary Medicine	19	19	
Radiation Oncology	9	9	
Radiology	68	68	
Rheumatology	4	4	
Sports Medicine	2	2	
Urology	19	19	
TOTAL	**1,000**	**935**	**93.5%**

Source: Medical Staff Records

Average Age of Medical Staffs

The age distribution of the medical staffs is as follows:

	30 & Under	30-39	40-49	50-59	60
Parkview Hospital	0%	22%	41%	26%	11%
All Other Hospital Affiliates	1%	22%	39%	31%	7%

Leading Admitters

The top ten admitters for 2004 for the Hospital Affiliates, collectively, are as follows:

Physician	Percentage of Total Discharges
Family Practice	3.0%
Psychiatric	1.9%
Psychiatric	1.9%
Psychiatric	1.6%
Orthopedic	1.4%
Family Practice	1.2%
Orthopedic	1.1%
Orthopedic	.9%
Psychiatric	.9%
Obstetrics/Gynecology	.8%
Total	**14.7%**

Physician Organization

PH owns and operates 19 primary care physician offices located in the following five Indiana counties: Allen, Huntington, Whitley, Noble, and Kosciusko. These practices employ a total of 40 primary care physicians with an average age of 44 years. It is the largest primary care physician group in the System's primary service area.

EMPLOYEES

As of May 2005, the System employed 3,803 full-time employees and 2,295 part-time employees. The number of full-time equivalent employees as of that date was 4,441. None of the employees of the System are represented by a labor organization.

	PH	Industry*
Employee Turnover	15.6%	14.3%
RN Turnover	13.9%	11.3%
RN Vacancy Rate	4.4%	4.9%

Source: *Voluntary Hospitals of America
Year 2004

FINANCIAL AND STATISTICAL INFORMATION

Operating Statistics

The following table shows selected operating statistics for the System for the three-year period ending December 31, 2004, and for the four-month periods ended April 30, 2004 and 2005.

	Year ended December 31,			Four-Month Period Ended April 30,	
	2002	2003	2004	2004	2005
Bed Complement	785	750	752	757	787
Patient Days (1)	156,340	155,570	152,892	51,834	53,907
Discharges (1)	30,106	30,592	30,495	10,360	10,738
Occupancy (1)	54.6%	56.8%	55.6%	57.1%	57.7%
Length of Stay (1)	5.19	5.09	5.01	5.00	5.02
Surgery Cases					
Inpatient	7,906	8,004	8,441	2,693	2,739
Outpatient	13,005	13,738	13,372	4,307	4,342
Emergency Room Visits	122,578	124,249	117,462	37,293	42,382
Radiological Exams	267,960	277,687	277,872	88,560	93,782
Outpatient Registration	316,435	318,995	320,599	100,813	113,218
Deliveries	3,407	3,556	3,542	1,151	1,063

(1) Data excludes newborn statistics.
Source: Hospital Records

Condensed Statements of Operations

The following condensed statements of operations for the System for each of the three years ended December 31, 2002, 2003, and 2004, have been derived from the audited consolidated financial statements of the System. The following condensed statements of operations of the System for each of the four-month periods ended April 30, 2004 and 2005, have been derived from the unaudited consolidated financial statements of the System. The unaudited consolidated financial statements include all adjustments, consisting of normal recurring accruals, which the System considers necessary for a fair presentation of the results of operations for these periods. Operating results for the four months ended April 30, 2005, are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2005. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

The financial information presented below for the System as well as other financial information for the year ended December 31, 2004 contained in APPENDIX B, includes entities which are not members of the Obligated Group, including PHH, PNH, PWH, and MCS.

Condensed Statement of Operations
($ in Thousands)

	Year Ended December 31,			Four-Month Period Ended April 30,	
	2002	**2003**	**2004**	**2004**	**2005**
Unrestricted Net Assets					
Net Patient Service Revenue	$ 458,577	$ 501,557	$ 535,257	$ 179,925	$ 197,382
Other Revenue	42,953	45,986	49,428	16,362	14,988
Total Revenue	$ 501,530	$ 547,543	$ 584,685	$ 196,287	$ 212,370
Expenses					
Other Expenses					
Expenses excl. depreciation	$ 451,332	$ 488,016	$ 511,087	$ 172,406	$ 182,677
Depreciation	29,377	33,223	35,929	11,117	13,876
Total expenses	$ 480,709	$ 521,239	$ 547,016	$ 183,523	$ 196,553
Net Operating Income	**$ 20,821**	**$ 26,304**	**$ 37,669**	**$ 12,764**	**$ 15,817**
Investment Income	$ 2,457	$ 17,459	$ 31,319	$ 8,333	$ 3,822
Other than temp declines in inv	(14,839)				(62)
Impairment of long-lived assets			(2,827)		
Interest Expense	(16,276)	(15,725)	(15,195)	(5,365)	(4,865)
Net (Loss) Income	**$ (7,837)**	**$ 28,038**	**$ 50,966**	**$ 15,732**	**$ 14,712**
Other changes in Unrestricted net assets:					
Interest rate swap	$ (19,635)	$ 4,671	$ (1,441)	$ 3,850	$ (3,304)
Unrealized gain (loss) on Investments	$ (6,299)	$ 47,525	$ 4,589	$ (6,227)	$ (14,354)
Other	115	28	(2,058)	(225)	-
Net (decrease) increase in unrestricted Net assets	$ (33,656)	$ 80,262	$ 52,056	$ 13,130	$ (2,946)

Balance Sheet

The following consolidated summary balance sheet information for the System as of December 31, 2004, has been derived from audited consolidated financial statements. The following consolidated summary balance sheet information for the System as of April 30, 2005 has been derived from the unaudited consolidated financial statements.

	As of December 31, 2004 ($ in Thousands)	Unaudited As of April 30, 2005 ($ in Thousands)
Current Assets		
Cash and Cash Equivalents	$ 34,812	$ 30,577
Net Accounts Receivable	98,342	92,857
Other Current Assets	20,036	24,302
Total Current Assets	$ 153,190	$ 147,736
Board Designated Funds	$ 471,656	$ 455,020
Net Property, Plant and Equipment	304,682	327,616
Other Assets	17,769	19,742
Total Assets	$ 947,297	$ 950,114
Total Current Liabilities	$ 66,887	$ 73,752
Long Term Debt	339,573	340,210
Other Liabilities	32,236	30,497
Unrestricted Net Assets	508,601	505,655
Total Liabilities and Net Assets	$ 947,297	$ 950,114

Third Party Payments

Payments on behalf of patients are made to the Hospital Affiliates by commercial insurance carriers, by the federal government under the Medicare program, by the state government under the Medicaid program, and by patients from their own personal resources. The percentages of gross patient revenues by payor for the System for the fiscal years ending December 31, 2002, 2003, and 2004, are as follows:

	Percent of Revenue			
Revenue of Summary	**2002**	**2003**	**2004**	**2005 YTD**
Medicare	39.9%	40.7%	41.0%	41.9%
HMO/PPO	31.5	29.1	27.2	24.9
Commercial Insurance	11.3	13.3	13.7	14.3
Medicaid	10.4	10.5	10.8	10.7
Self Pay	6.9	6.4	7.3	8.2
Total	100%	100%	100%	100%

MANAGEMENT DISCUSSION

Vision Statement

The Vision Statement of Parkview Health is: "PH will be a leading healthcare delivery system in providing quality and patient-focused services by working with physicians and through employees." The vision of Parkview Health will be accomplished through the following mission statement: "PH will provide quality health services to all who entrust their care to us, and we will work to improve the health of our communities." This will be

accomplished through the following strategy: Provide the staffing, processes, information technology, facilities and equipment required to effectively support physicians and provide quality, patient-focused care.

Strategic and Competitive Profile

PH's overall strategy for success is couched in three underlying principles. First, our mission, "Why do we exist?," our vision "What are we becoming? Where are we going?" and finally, our values "What is most important to us?" These concepts, as discussed above for PH, provide a context for PH's strategic decision making and for the planning process for each of the entities belonging to PH. PH, as an integrated organization, is patient centered and driven. However, recognizing that physicians are essential to the success of PH and their position within the market, PH must be attentive to the needs of its physicians as well. Strategies designed to meet the needs of both patients and physicians provide a significant opportunity for the organization. As such, the organization is in the business of providing quality health care and patient-focused services in northeast Indiana, through infrastructure development, equipment and staffing, information technology improvement, innovation, physician support, and optimization of care delivery processes.

The Northeast Indiana Market

PH operates six hospital and sub-acute sites in northeast Indiana. The locations of each of these sites are found on the map included in this Appendix A. In addition to the hospital and sub-acute locations, PH also provides primary care physician services in multiple locations throughout the service area in Northeast Indiana. In addition, PH provides home care and related services within the service area.

Reaction to the Changing Health Care Environment

The health care environment in which PH operates is complex and ever changing. Management continually monitors reimbursement changes related to Medicare, Medicaid, managed care, and commercial insurers. PH also monitors demographic changes in the communities it serves and the needs of its patients and their families. PH has experienced a shift towards Medicaid and significant increases in outpatient care, along with continuing growth in key medical specialties, including orthopedic and cardiovascular care.

In order to maintain PH's status as a provider of choice in the communities it serves, significant capital improvements and redesigns are in process in many of PH's facilities. These initiatives are designed to improve the overall infrastructure to provide optimum patient care delivery and to promote a continuing high quality patient environment for the provision of needed patient care services.

Centralization and Standardization of Processes

As part of the overall effort to achieve efficiencies and optimization of performance through PH, the standardization of processes, policies and procedures have been made critical success factors for PH. Over the past several years, certain key standardization and centralization initiatives have been accomplished.

Corporate Services

Many services typically provided within each of the individual hospitals have been consolidated at the PH level to provide consistent, efficient, and uniform services to each of the PH affiliates. These include Corporate Accounting, Treasury Management, Material Management and Purchasing, Billing, Credit and Collection, System Planning, Physician Recruitment and Relations, Property Management, Human Resources, Information Systems, Health Information Management (Medical Records), Legal and Corporate Compliance Services, Risk Management and System Public Relations. With the consolidation of the aforementioned services, PH has been able to achieve economic efficiencies and consistency.

Centralized Cash Management and Investment Program

PH has implemented a centralized Cash Management and Investment Program. This program is coordinated and managed through the centralized finance operations within PH with specific funds managed by professional investment firms. The overall operation of the Investment Management Program is annually reviewed and assessed by the System Finance Committee to ensure compliance with the existing investment policies and procedures that have been authorized by the Board. In general, PH utilizes an operating fund which handles the routine receipts and disbursement in the day-to-day management of PH. These funds are invested in a variety of short-term instruments with an investment maturity not to exceed one year. The longer-term investments are allocated among a variety of funds that are generally allocated approximately 45% in equities, 31% in fixed income, 15% in hedge funds, and 9% in cash. At April 30, 2005, PH had approximately $449 million invested in long-term investments.

Information System Upgrades

On May 1, 2004, Parkview Health activated an integrated set of clinical information solutions for use throughout all PH system facilities. These solutions have improved the level of detail, completeness, accuracy, and efficiency of overall information flow amongst all services and practitioners. Parkview Health must continue to invest in these and other I/T solutions to optimize and improve the delivery of highest quality patient care and improve the health of the communities we serve. Specifically, within the next three years, PH will apply significant upgrades to core solutions – with a goal to better exchange information with physician offices and other local, regional, and national efforts outside our health system. In addition, new surgery management, supply chain automation, and patient accounting solutions will be built and implemented in this timeframe. Finally, as the PH business grows into new/different facilities, the infrastructure and solutions must be put in place in those locations to apply the same business model of capabilities and maintain the standards and processes that have proven beneficial to operations. The resources, both capital and operational, needed to support these efforts and apply the lessons learned in our May 1, 2004, activations are significant.

Group Purchasing

As previously discussed, PH utilizes a centralized approach to material management initiatives. A group purchasing relationship is in place as PH is a member of the Voluntary Hospitals of America (VHA) NOVATION and Amerinet group purchasing programs. The centralized material management function is charged with the responsibility of utilizing all group-purchasing opportunities to ensure that the best price is obtained in the acquisition of supplies and capital equipment and other related purchases for PH.

Managed Care Initiatives

The northeast Indiana payer market continues to be fragmented. The market is dominated by large provider-owned plans that have offered greater choice to the buyers of insurance, as well as the self-funded employers. PH has recently regained control over Signature Care PPO upon withdrawal as a sponsor of The Health Care Group. The PPO owned and managed by PH has 60,000 covered lives, which has contributed substantially to the fragmentation of the market.

PH continues to participate in most of the large national and regional PPOs. HMO products are less popular in PH's markets, with the exception of PHP, which is a locally sponsored HMO. Reimbursement from this HMO is fee-based to all providers. National plans of note are Wellpoint/Anthem, United Health Care, Humana, and Aetna. The larger statewide and regional PPOs are Sagamore and Encore, both of which are provider-owned.

The only risk-based plan in which PH participates is the M Plan HMO. The enrollment in this HMO is approximately 170,000 statewide and 7,800 in the Parkview network.

Pension Plan

The Corporation sponsors a noncontributory defined benefit pension plan (the "Defined Benefit Plan") covering substantially all employees. Defined Benefit Plan benefits are based on years of service and an employee's

compensation during a consecutive five year term of employment within the 10 years prior to the benefit determination which results in the highest earnings. The Corporation's funding policy is to contribute annually the minimum contribution required to comply with the Employee Retirement Income Security Act of 1974 regulations. The Defined Benefit Plan has been funded based on annual actuarial reports. For the year ended December 31, 2004, $17.1 million was funded into the Defined Benefit Plan. At December 31, 2004, the accrued pension liability for the Defined Benefit Plan was approximately $30.6 million.

Beginning January 1, 2005, the Corporation implemented a new retirement program and offered a one time choice to current employees (as of December 31, 2004) to remain in the existing defined benefit plan, or freeze their defined benefit plan benefits and move to an employer funded defined contribution plan (the "Defined Contribution Plan"). Employees hired after December 31, 2004 will only be eligible for the Defined Contribution Plan. Contributions to the Defined Benefit Plan are based on benefit service points, a combination of age and years of benefit service.

The Defined Benefit Plan and the Defined Contribution Plan are described in more detail in APPENDIX B.

Management Discussion of Financial Performance

2003 Results for PH – Discharge and outpatient volume indicators were higher than 2002 levels. Net patient revenue followed volumes and grew by $43.0 million, or 9.4% over 2002. During the end of 2003, a management restructuring occurred along with other reductions associated with the implementation of a cost containment program. As a result, a $4.0 million non-recurring restructuring accrual was recorded to reflect the current value of severance and other one-time adjustments. Net operating income (NOI) excluding interest expense was $26.3 million, or 4.8%, which was a 26.3% improvement over 2002. Excluding the non-recurring restructuring adjustment expenses grew at a slower pace then revenues resulting in a $9.5 million, or 45.5% improvement in NOI excluding interest expense. Excluding restructuring, the NOI would have been $30.3 million, or 5.5%. Net income improved over 2002 due to improvements in realized investment income. In 2002, other than temporary declines in investments were considered impaired and reported as realized investment losses on the income statement. Net income in 2003 was $32.0 million, or 5.9% excluding restructuring as compared to 1.6% in 2002.

2004 Results for PH – Case mix adjusted unit volume growth was 2.9% greater than 2003. Although total discharges were flat as compared to 2003, surgical discharges were 5.5% greater than 2003. The favorable surgical mix resulted in strong growth in Net Patient Revenue. As compared to 2003, net patient revenue grew by 6.7%. In 2004, cost per case mix adjusted discharge grew by only 0.6% as compared to 2003 due to a newly implemented cost containment program. 2004 NOI excluding interest expense in 2004 was $37.7 million, or 6.4%, which was a 43.2% improvement over 2003. The NOI growth was primarily due to cost containment and productivity improvements. Realized gains on investments were significant as compared to prior years as a result of improving general market conditions. As a result, net income grew by 81.8% from $28.0 million in 2003 to $51.0 million, or 8.7%.

System Results for the Four-Month Period Ending April 30, 2005 – Unit volume was strong compared to the four months ended April 2004 and has exceed the planned growth in 2005 for both inpatient and outpatient service areas. Inpatient discharges through April year-to-date 2005 were 3.6% greater than the same period in 2004. Cost per case mix adjusted discharge in 2005 has remained consistent with 2004 levels due to planned cost reductions and productivity improvements. As a result of activity growth and cost containment efforts, NOI excluding interest expense was 7.4% for year-to-date April as compared to 6.5% for the same period in 2004. Net income was slightly below expectations and prior year due to lower realized investment gains associated with general market conditions. Overall, financial performance and balance sheet position remain solid and improving over 2004.

ACCREDITATIONS, MEMBERSHIPS, & LICENSURES

The Hospital Affiliates are licensed to operate acute care hospitals by the Indiana State Board of Health. The Hospital Affiliates maintain accreditation with the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"). The current three-year accreditations of PVH, PHH, PLH, PNH, and PWH are effective through 2005,

2008, 2006, 2007, and 2008, respectively. The Hospital Affiliates are members of the American Hospital Association, the Indiana Health and Hospital Association, and Voluntary Hospitals of America.

INSURANCE

Medical Malpractice

The System maintains professional liability insurance for itself and its employed physicians through a private insurance carrier. With respect to Hospital Affiliates, the System maintains professional liability insurance through a private insurance carrier for claims made prior to October 1, 2004. For claims made against Hospital Affiliates after October 1, 2004, the System maintains a self-insured trust for professional liability claims. The insurance policies covering the System and Hospital Affiliates, as well as the trust, provide protection from liability in an amount not to exceed $250,000 per incident and aggregate liability protection not to exceed $7,500,000 per year. The insurance policy and trust conform with the Indiana medical malpractice Act described below. In addition, the System maintains a commercial umbrella policy with a limit of $20,000,000.

The Hospital Affiliates qualify as healthcare providers under the Indiana Medical Malpractice Act (IC 27-12) (the "Act"). The Act provides for a mandatory State Patient's Compensation Fund (the "Fund") to which a qualified healthcare provider contributes a surcharge. The amount of the surcharge for the Hospital Affiliates is established by the Department of Insurance based upon an actuarial program. The amount must be sufficient to cover, but may not exceed, the actuarial risk posed to the Fund by the Hospital Affiliates. The Act currently provides for a maximum recovery of $1,250,000. The health care provider is liable for up to $250,000 of the maximum recovery. The excess is paid by the Fund. The practical impact of this law is to limit the exposure and expense of malpractice cost and liability. Various aspects of the Act, including the limitations on recovery, have been upheld on constitutional grounds by the Indiana Supreme Court. The Hospital Affiliates believe their risk management programs embody a mix of broad insurance coverages and retention programs that reflect an appropriate and prudent approach toward the protection of the System.

Other Insurance

The System maintains other insurance coverages (property, casualty, umbrella liability, etc.) in amounts that are customary for systems of similar size and location.

LITIGATION

As with most multi-hospital systems, there may be, at any point in time, a number of medical malpractice actions filed or pending against providers in the System. Generally, these will be paid or settled from insurance and/or self-insurance coverage, and some will not be pursued by plaintiffs. However, certain actions may seek punitive or other damages, which may not be covered by insurance. Litigation also arises from the corporate and business activities of the members of the System, from their status as major employers, or as a result of medical staff peer review or the denial of medical staff privileges. A recent U.S. Supreme Court decision now allows physicians who are subject to adverse peer review proceedings to file federal antitrust actions against hospitals and seek treble damages. As with medical malpractice, many of these risks are covered by insurance or self-insurance, but some are not. In the unlikely event that a substantial number of uncovered claims were determined adversely to any members of the System who are defendants in such claims, and substantial monetary damages were awarded in each, there could be a material adverse effect on the System's financial condition.

APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF PARKVIEW HEALTH SYSTEM, INC.

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CONSOLIDATED FINANCIAL STATEMENTS

Parkview Health System, Inc. and subsidiaries
Years Ended December 31, 2004 and 2003

Parkview Health System, Inc. and subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2004 and 2003

Contents

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Report of Independent Auditors

The Board of Directors
Parkview Health System, Inc.

We have audited the accompanying consolidated balance sheets of Parkview Health System, Inc. and subsidiaries (Corporation) as of December 31, 2004 and 2003 and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Parkview Health System, Inc. and subsidiaries at December 31, 2004 and 2003 and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

April 15, 2005

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Consolidated Balance Sheets

	December 31	
	2004	**2003**
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 34,812**	$ 36,439
Patient accounts receivable, less allowances for doubtful accounts and charity of $23,405 and $15,400	**98,342**	90,341
Inventories	**7,943**	6,710
Prepaid expenses and other current assets	**11,156**	10,229
Estimated third-party payor settlements *(Note 4)*	**937**	5,732
Total current assets	**153,190**	149,451
Investments *(Note 5)* :		
Board designated debt reserve and capital replacement funds	**480,984**	446,750
Other investments	**105**	96
Interest rate swap	**(9,433)**	(6,536)
	471,656	440,310
Property and equipment *(Note 6)* :		
Cost	**574,966**	533,591
Less accumulated depreciation and amortization	**270,284**	243,605
	304,682	289,986
Other assets:		
Deferred financing costs	**6,311**	6,594
Investments in joint ventures	**6,324**	4,614
Other assets	**5,134**	3,235
	17,769	14,443
Total assets	**$ 947,297**	$ 894,190

	December 31	
	2004	**2003**
	(In thousands)	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 22,890**	$ 18,043
Salaries, wages and related liabilities	**33,254**	32,570
Accrued interest	**1,217**	1,191
Current portion of long-term debt *(Note 7)*	**9,526**	8,810
Total current liabilities	**66,887**	60,614
Noncurrent liabilities:		
Long-term debt, less current portion *(Note 7)*	**339,573**	346,165
Other *(Note 8)*	**32,236**	30,866
	371,809	377,031
Net assets	**508,601**	456,545
Total liabilities and net assets	**$ 947,297**	$ 894,190

See accompanying notes.

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations and Changes in Net Assets

	Year ended December 31	
	2004	**2003**
	(In thousands)	
Revenues:		
Net patient care service revenue, excluding charity care revenue foregone *(Note 4)*	**$ 535,257**	$ 501,557
Other revenue	**49,428**	45,986
	584,685	547,543
Expenses:		
Salaries and benefits	**271,545**	260,299
Food and supplies	**97,755**	88,198
Purchased services	**61,786**	59,569
Utilities, repairs and maintenance	**21,026**	19,572
Depreciation and amortization	**35,929**	33,223
Provision for bad debts	**41,584**	40,327
Restructuring costs	**-**	3,991
Other	**17,391**	16,060
	547,016	521,239
Net operating income	**37,669**	26,304
Other income (expense):		
Investment income	**31,319**	17,459
Interest expense	**(15,195)**	(15,725)
Impairment of long-lived assets and other *(Note 2)*	**(2,827)**	-
Net income	**50,966**	28,038

Continued on next page

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Year ended December 31	
	2004	**2003**
	(In thousands)	
Net income	**50,966**	28,038
Other changes in net assets:		
Change in net unrealized gain on investments	**4,589**	47,525
Interest rate swap	**(1,441)**	4,671
Change in minimum pension liability	**(3,438)**	-
Other	**1,380**	28
Increase in net assets	**52,056**	80,262
Net assets at beginning of year	**456,545**	376,283
Net assets at end of year	**$ 508,601**	$ 456,545

See accompanying notes.

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Consolidated Statements of Cash Flows

	Year ended December 31	
	2004	**2003**
	(In thousands)	
Operating activities		
Increase in net assets	**$ 52,056**	$ 80,262
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Change in net unrealized gain on investments	**(4,589)**	(47,525)
Depreciation and amortization	**35,929**	33,223
Loss (gain) on interest rate swap	**2,897**	(4,671)
Amortization of deferred financing costs and discount	**477**	482
Loss from disposal of property and equipment	**1,669**	1,789
Pension cost, net of contributions	**1,109**	4,334
Changes in operating assets and liabilities:		
Patient accounts receivable, net	**(8,001)**	1,871
Inventories	**(1,233)**	(554)
Prepaid expenses and other current assets	**(1,101)**	(2,570)
Accounts payable, accrued expenses, and other current liabilities	**5,557**	1,922
Estimated third-party payor settlements	**4,795**	(1,135)
Other	**(3,357)**	(805)
Net cash provided by operating activities	**86,208**	66,623
Investing activities		
Property and equipment additions, net	**(51,796)**	(45,608)
Proceeds from sale of property and equipment	**2,567**	462
Net cash invested in board designated funds	**(29,645)**	(50,385)
Decrease in funds held by trustee—withdrawals for capital improvements	**-**	27,555
Net cash used in investing activities	**(78,874)**	(67,976)
Financing activities		
Repayments of long-term debt	**(8,961)**	(4,047)
Net cash used in financing activities	**(8,961)**	(4,047)
Decrease in cash and cash equivalents	**(1,627)**	(5,400)
Cash and cash equivalents at beginning of year	**36,439**	41,839
Cash and cash equivalents at end of year	**$ 34,812**	$ 36,439

Supplemental Disclosures of Cash Flow Information:
The Corporation entered into capital lease obligations in the amount of $2,891 and $2,725, respectively, for new equipment in 2004 and 2003.

See accompanying notes.

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

1. Organization

Nature of Operations

Parkview Health System, Inc., d/b/a Parkview Health (PH or the Corporation), is an Indiana private not-for-profit corporation exempt from federal income taxation as described in Section 501(c)(3) of the Internal Revenue Code. PH is the sole corporate member of Parkview Hospital, Inc. (PVH), Whitley Memorial Hospital, Inc. d/b/a Parkview Whitley Hospital (PWH), Huntington Memorial Hospital, Inc. d/b/a Parkview Huntington Hospital (PHH), and Community Hospital of Noble County, Inc. d/b/a Parkview Noble Hospital (PNH). PH also is the majority owner of Managed Care Services, LLC. (MCS). PH is the sole corporate member of Parkview Occupational Health Center, Inc. (POHCI). PVH is the sole corporate member of Parkview Foundation, Inc. (PVHF). PWH is the sole corporate member of Whitley Memorial Hospital Foundation, Inc. d/b/a Parkview Whitley Hospital Foundation (PWHF). PNH is the sole corporate member of Community Hospital of Noble County Foundation, Inc. d/b/a Parkview Noble Hospital Foundation (PNHF). PHH is the sole corporate member of Huntington Memorial Hospital Foundation, Inc. d/b/a Parkview Huntington Hospital Foundation (PHHF).

PH and its subsidiaries are a continuation of the development of an integrated health care delivery system in northeast Indiana initiated by PH and PVH. The Corporation's operations consist of acute, nonacute, and tertiary care facilities and services, preferred provider organizations, physician group practices, and certain other organizations primarily related to the delivery and management of health care services.

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as net patient care service revenue. Other transactions are included with other revenue. Other revenue includes rentals of medical office buildings, and equity income of unconsolidated subsidiaries and joint ventures.

Community Benefits and Charity Care

The Corporation provides programs and services to address the needs of those in the community with limited financial resources, generally at no, or low cost to those being served. Additional services are provided to beneficiaries of governmental programs (principally those relating to the Medicare and Medicaid programs) at substantial discounts from established rates and are considered part of the Corporation's benefit to the community.

1. Organization (continued)

Community Benefits and Charity Care (continued)

Assistance is also provided as needed to patients and their families for the submission of forms for insurance, financial counseling, and application to the Medicare and Medicaid programs for health service coverage. The costs of providing these programs and services are included in expenses.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Patients who meet certain criteria for charity care are provided care without charge or at amounts less than established rates. Because collection of amounts determined to qualify, as charity care is not pursued, such amounts are not reported as revenue. Records are maintained to identify and monitor the level of charity care provided including the amount of charges foregone for services and supplies furnished.

As of January 1, 1999, PVHF began to administer hospital community benefit programs for the area served by PVH. PVH provided a board designated endowment of $5,000,000 to PVHF in 1998 which will be used to fund PVHF's operating expenses and fund these programs. In addition, annual transfers of 10% of PVH's net income or a minimum of $3,000,000 are expected to be provided by PVH to PVHF to fund current and new community benefit programs. At PHH, PWH, and PNH, a commitment has been made to fund current and new community benefit programs at 10% of net income or a minimum of $50,000 for each respective hospital.

All affiliates in the PH have a commitment to improving the health of the citizens of the communities served. In all locations, PH has made a concerted effort to identify opportunities to partner with local organizations and to develop initiatives to improve the health of these communities. Health fairs and screenings are common efforts to identify problems before they become serious or life-threatening. Affiliates often partner with local organizations for community education including the Minority Health Coalition, American Lung Association, SuperShot, YMCA, YWCA, Health Information Link and American Heart Association. Associations with local school corporations have provided nurses, dental care and physicals to needy children. Efforts have helped provide health care to the medically under-served through support of the Neighborhood Health Clinic and Matthew 25. PH affiliates have supported homeless shelters, women's crisis shelters, safety councils, senior transportation programs and poison control programs. Awareness and prevention programs dealing with safety, trauma, drugs and alcohol are projects of PH.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of PH and all material wholly-owned or controlled subsidiaries. The equity method of accounting is used for investments in joint ventures, partnerships and companies where control or ownership is 20% to 50%. The cost method of accounting is used for investments in affiliated entities of less than 20%. Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts classified with investments limited as to use, are cash equivalents. The Corporation routinely invests in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations.

Patient Accounts Receivable, Estimated Third-Party Payor Settlements, and Net Patient Care Service Revenue

Patient accounts receivable and net patient care service revenue are reported at the estimated net realizable amounts due from patients, third-party payors (including insurers) and others for services rendered and includes estimated retroactive revenue adjustments due to settlement of audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are settled and are no longer subject to such audits, reviews and investigations. The effect of these settlements was to decrease net patient care service revenue by approximately $1.0 million in 2004 and increase net patient care service revenue by approximately $1.0 million in 2003.

2. Significant Accounting Policies (continued)

Patient Accounts Receivable

Parkview grants credit to patients, substantially all of whom are residents of the State of Indiana, and does not require collateral or other security for the delivery of health care services. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g., Medicare, Medicaid, health maintenance organizations and commercial insurance policies) is routinely obtained, consistent with industry practice.

The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage and other collection indicators. Periodically, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for bad debts and to establish an appropriate allowance for doubtful accounts. In addition, Parkview follows established guidelines for placing certain past due patient balances with collection agencies.

Inventories

Inventories, determined by physical count, consist primarily of drugs and supplies and are stated at current cost which is not in excess of market.

Investments

Investments are stated at fair value. Investment income or loss (including realized gains and losses on the sale of investments, declines in investments deemed other-than-temporary, and changes in the carrying value of hedge funds) is reported as other income unless the income is restricted by donor or law. The cost of securities sold is based on the specific identification method. Unrealized gains and losses on investments deemed to be temporary are excluded from net income and are reported as an increase (decrease) in unrestricted net assets.

Board designated funds represent certain funds from operations and other sources designated by the Board of Directors to be used for future capital asset replacements, for the retirement of long-term debt, and for other purposes. The Board retains control over these investments, and may, at its discretion, subsequently designate the use of these investments for other purposes. Funds are invested in accordance with Board approved policies which, among other matters, require diversification of the investment portfolio, establish credit risk parameters, and limit the amount of investment in any single organization. Substantially all investment transactions are managed by professional investment managers and are held in custody at a financial institution.

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost or if donated, at fair market value at date of donation. Interest costs incurred as part of the related construction are capitalized during the period of construction. Depreciation is provided on a straight-line basis over the expected useful lives of the various classes of assets. Estimated useful lives used for land improvements range from five to twenty-five years, five to forty years for buildings, and three to fifteen years for equipment.

Derivative Financial Instruments

As part of its debt management programs, Parkview has entered into an interest rate swap program. SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires that derivative instruments be recognized as either assets or liabilities in the balance sheet at fair value. The accounting for changes in fair value (i.e., amortized gains and losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship.

For those derivative instruments that are designated and qualify as hedging instruments, a determination must be made as to whether such instruments are a fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation. To the extent that such derivative financial instruments are designated and qualify as hedging instruments, the effective portion of the gain or loss on the derivative instrument is reported as a component of net assets. Any ineffective portion would be reclassified as a component to net income in the same period or periods during which the hedged program is deemed ineffective. As of and for the years ended December 31, 2004 and 2003, Parkview's swap agreements relating to the Series 2001 A, B and C bonds were designated and qualified as cash flow hedges. The ineffectiveness of these hedge instruments is not material.

2. Significant Accounting Policies (continued)

Pension Plans

PH has a single benefit program for all eligible employees. These benefits will include participation by all eligible employees in the defined benefit pension plan, and a voluntary opportunity to participate in a 403(b) or a 401(k) plan, based upon tax status of employing corporation. The 403(b) and 401(k) plans have match provisions. Benefits are based on years of service and the employee's compensation. Contributions to these plans include amortization of prior service costs plus interest thereon and are funded currently. Statutory requirements have limited contributions to the defined benefit pension plan.

Beginning in 2005, significant changes have been made to the pension benefit program. (see *Note 8).*

Malpractice Insurance

Medical malpractice coverage is provided through a program of self-insurance and commercial insurance, and considers limitations imposed by the Indiana Medical Malpractice Act, as amended (Act). The Act limits the amount of individual claims to $1,250,000 (effective July 1, 1999), of which $1,000,000 would be paid by the State of Indiana Patient Compensation Fund and $250,000 by the Corporation, or by its commercial insurer, Lexington Insurance Company (AIG). The reserve for the self-insurance liability was actuarially determined.

The Corporation established a trust for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreements, the trust assets can only be used for payment of malpractice losses, related expenses and the cost of administering the trust.

Income Taxes

The Internal Revenue Service has determined that the Corporation and the majority of its affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code. Certain subsidiaries of the Corporation are taxable entities, the tax expense and liabilities of which are not material to the consolidated financial statements.

2. Significant Accounting Policies (continued)

Performance Indicator

"Net income" as reflected in the accompanying consolidated statements of operations and changes in net assets reflect the excess of revenues over expenses. Consistent with industry practice, unrealized gains and losses on investments, contributions of long-lived assets, and change in minimum pension liability are excluded from net income.

Reclassifications

Certain 2003 amounts were reclassified to conform to the 2004 presentation. Such reclassifications had no effect on previously reported net income or net assets.

Impairment of Long-Lived Assets

During 2004, the Dowling Street building was appraised and written down from book value at $1,901,171 to the appraised value at $820,000. This impairment is included in the Consolidated Statements of Operations and Changes in Net Assets.

Also, during 2004, the commitment was made to demolish the old Parkview Noble Hospital and to donate the land to the City of Kendallville. This resulted in $1,000,000 of demolition cost and $359,468 of expense for the write off of the donated land. This disposal is included in the Consolidated Statements of Operations and Changes in Net Assets.

3. Fair Values of Financial Instruments

Financial instruments other than investments are carried at historical or amortized cost. PH's methods and assumptions used in estimating and making fair value disclosures for its financial instruments are as follows:

Cash and Cash Equivalents

The carrying amounts reported in the balance sheets for these instruments approximates its fair value.

Accounts Receivable and Other Receivables, Estimated Third-Party Payor Settlements, and Accounts Payable and Accrued Expenses

The carrying amounts reported in the balance sheet for these instruments approximate their fair value.

Investments

The fair values of investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments (see *Note 5*). With respect to hedge funds these investments are held at cost and adjusted to the fair value on monthly market reports which reflect the current market values where determinable and the partner's contributed capital as well as the partner's share of the underlying limited partnership's realized and unrealized gains and losses. The fair value of investments held by the underlying limited partnerships is determined by the respective general partners.

Long-Term Debt

The carrying value of the Corporation's tax-exempt variable rate and other debt approximates fair value. The fair value of the fixed rate debt (substantially all of which is tax-exempt) is estimated using discounted cash flow analyses, based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the Corporation's tax exempt fixed rate debt at December 31, 2004 was approximately $145,850,000. (see *Note 7*).

4. Net Patient Care Service Revenue

Certain agreements with third-party payors provide for payments at amounts different from established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Certain inpatient care services, including certain capital costs, are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Certain services are paid based on cost reimbursement methodologies subject to certain limits and physician services are reimbursed based upon established fee schedules. Outpatient services were reimbursed utilizing prospectively determined rates, except for ambulance services, which continued under cost-based methodology.

Medicaid: Reimbursement for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Difference between established rates and payment under these agreements are reflected as contractual allowances. A reconciliation of patient service revenue at established rates to net patient care service revenue as presented in the consolidated statements of operations and changes in net assets is as follows:

	Year ended December 31	
	2004	**2003**
	(In thousands)	
Inpatient services	**$538,689**	$490,442
Outpatient and ambulatory care services	**420,948**	378,709
Charges at established rates	**959,637**	869,151
Less charity care revenue foregone	**12,635**	7,427
Charges at established rates	**947,002**	861,724
Less contractual allowances	**411,745**	360,167
Net patient care service revenue	**$535,257**	$501,557

4. Net Patient Care Service Revenue (continued)

Medicare and Medicaid revenue accounted for approximately 42% and 11% of charges at established rates in both 2004 and 2003. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The Corporation believes that it is in substantial compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of wrongdoing. While no such regulatory inquiries have been made, compliance with health care industry laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimated settlements could change. It is also reasonably possible that it could change by a material amount in the near term.

Components of charges at established rates at December 31, 2004 and 2003 include Medicare, 27% and 26%; Medicaid, 7% and 8%; commercial insurers, 46% and 51%; and other, 20% and 15%, respectively.

5. Investments

Investments do not include trading securities. The fair values of investments are as follows:

	December 31	
	2004	**2003**
	(In thousands)	
Cash and short-term investments	**$ 25,067**	$ 34,905
U.S. government and agency obligations	**56,582**	46,518
Corporate and other bonds	**26,608**	82,647
Hedge funds	**67,490**	63,666
Mutual funds and other marketable equity securities	**288,455**	209,992
Real estate held for investment	**16,887**	9,118
Interest rate swap	**(9,433)**	(6,536)
	$471,656	$440,310

5. Investments (continued)

Hedge funds are not necessarily readily marketable and may include short sales on securities and trading on future contracts, options, foreign currency contracts, other derivative instruments and private equity investments and the composition of the individual investments within these funds is not readily determinable. The private equity investments are partnership interests in limited partnerships. These investments are not publicly traded and the value is determined based upon the partner's contributed capital and ownership interest in the realized and unrealized gains and losses of the limited partnership.

The composition of investment return recognized in the consolidated statement of operations and changes in net assets are as follows:

	Year ended December 31	
	2004	**2003**
	(In thousands)	
Investment income:		
Dividend and interest income	**$ 10,460**	$ 8,224
Net gains on hedge funds	**3,825**	3,666
Net realized gain on the sale of investments	**17,034**	5,569
	31,319	17,459
Changes in net assets:		
Change in net unrealized gain on investments	**4,589**	47,525
	$35,908	$64,984

Other-Than-Temporary Impairment

Over the past several years, the public equity markets have experienced significant volatility, which impacted the fair value of investments held by Parkview. Management monitors the investment portfolio and may periodically determine that declines in the fair value of securities should be considered other-than-temporary. Factored into this determination are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the market value has been less than cost. During the years ended December 31, 2004 and 2003 no loss was recognized for other-than-temporary declines in investments.

5. Investments (continued)

Temporary Impairment

The following table summarizes the unrealized losses on investments, which are considered to be temporary, at December 31, 2004:

Description of Securities	Securities with unrealized losses for less than 12 months Fair Value	Unrealized Losses	Securities with unrealized losses for 12 months or more Fair Value	Unrealized Losses	Total Fair Value	Total Unrealized Losses
		(In thousands)				
U.S. Treasury obligations and direct obligations of U.S. government agencies	**$25,413**	**$ 53**	**$ –**	**$ –**	**$25,413**	**$ 53**
Federal agency mortgage Backed securities	**21,019**	**130**	**418**	**4**	**21,437**	**134**
Corporate bonds	**10,962**	**110**	**721**	**26**	**11,683**	**136**
Common stock	**4,739**	**598**	**1,703**	**210**	**6,442**	**808**
Total	**$62,133**	**$891**	**$2,842**	**$240**	**$64,975**	**$1,131**

The following table summarizes the unrealized losses on investments, which are considered to be temporary, at December 31, 2003:

Description of Securities	Securities with unrealized losses for less than 12 months Fair Value	Unrealized Losses	Securities with unrealized losses for 12 months or more Fair Value	Unrealized Losses	Total Fair Value	Total Unrealized Losses
		(In thousands)				
U.S. Treasury obligations and direct obligations of U.S. government agencies	$16,546	$ 76	$ –	$ –	$16,546	$ 76
Federal agency mortgage backed securities	6,138	30	–	–	6,138	30
Corporate bonds	6,116	75	–	–	6,116	75
Common stock	17,991	718	1,251	250	19,242	968
Total	$46,791	$899	$1,251	$250	$48,042	$1,149

6. Property and Equipment

Costs of property and equipment consist of the following:

	December 31	
	2004	**2003**
	(In thousands)	
Land and improvements	**$ 23,832**	$ 21,415
Buildings	**277,920**	262,963
Equipment	**252,098**	204,442
Construction in progress	**21,116**	44,771
	$ 574,966	$ 533,591

Cost to complete construction in progress projects is estimated to be $17,255,000.

During 2003, Management transferred $6,960,000 of real estate held for sale from property and equipment to investments and also acquired an additional $2,140,000 of real estate investments. In addition, $4,300,000 of software costs and related accumulated depreciation were written-off when they were replaced by new software and $45,900,000 of equipment costs and related accumulated depreciation were written-off as a result of a physical inventory.

7. Long-Term Debt

Long-term debt consists principally of tax-exempt bonds as follows:

Description	Interest Rates	December 31 2004	2003
		(In thousands)	
Tax-exempt, variable rate demand bonds:			
Series 2001	.92 to 1.86%	**$215,625**	$220,000
Tax-exempt, fixed rate serial and term bonds:			
Series 1998	4.5 to 5.4%	**132,255**	134,765
Capital leases and other	Various	**5,778**	4,963
		353,658	359,728
Less unamortized original issue discount			
Series 1998 bonds		**3,791**	3,950
Series 2001 bonds		**768**	803
		349,099	354,975
Less current portion		**9,526**	8,810
		$339,573	$346,165

Amortization of capital leases is included within depreciation expense.

The scheduled maturities and mandatory redemptions of long-term debt are as follows:

Year ending December 31	*(In thousands)*
2005	$ 9,526
2006	8,432
2007	8,477
2008	8,638
2009	8,293
Thereafter	310,292
	$ 353,658

Total interest paid was approximately $15,195,000 in 2004 and $15,295,000 in 2003. Interest cost of $1,365,000 in 2004 and $1,280,000 in 2003 was capitalized as part of the cost of construction.

7. Long-Term Debt (continued)

Obligations Through Use of Master Indenture

PH and PVH have issued tax exempt revenue, revenue refunding and variable rate demand bonds through the use of a Master Indenture, as amended and supplemented. The various agreements require PH and PVH not to incur indebtedness secured by an encumbrance and not to mortgage certain facilities except under certain circumstances. The agreements require the maintenance of debt service coverage ratios and contain certain other restrictive covenants.

Fixed Rate Debt

In November 1998, PH and PVH issued $144,610,000 of fixed rate tax exempt revenue bonds (the Series 1998 Bonds) using the Master Indenture through the Hospital Authority of the City of Fort Wayne, Indiana. The proceeds of the Series 1998 Bonds and certain other funds of the Corporation were used to advance refund (primarily through an in-substance defeasance) the Series 1989A Bonds and Series 1992 Bonds then outstanding, to finance or reimburse PH and PVH for a portion of the cost of the acquisition and construction of certain capital improvements and to pay financing costs. The Series 1998 Bonds consist of serial and term bonds and require annual principal or mandatory sinking fund redemption, with interest payable semiannually.

Variable Rate Bonds

In November 2001, PH and PVH issued $220,000,000 of variable rate tax exempt auction revenue bonds (the Series 2001 Bonds) using the Master Indentures and through the Indiana Health Facility Financing Authority. The proceeds of the Series 2001 Bonds and certain other funds of the Corporation were used to advance refund (primarily though an in-substance defeasance) the Series 1989B and 1985BCD Bonds outstanding (of which principal aggregating $69,500,000 related to PH), to finance or reimburse PH and PVH for a portion of the cost of the acquisition and construction of certain capital improvements and to pay financing costs. These Series 2001 Bonds auction every 28 days. In November 2001, the Corporation entered into three fixed for variable interest rate swap agreements. The objective of these swap agreements is to mitigate interest rate fluctuations and fix the interest rate of these bonds. The terms of the swap agreements require the Corporation to pay a fixed interest rate between 3.47% and 3.71% on the notional amount of $220,000,000 and the Corporation to receive a variable interest rate payment based on the LIBOR Index on the same notional amount. The notional amount declines annually and expires during May 2031. Interest rate fluctuations impact the fair value of the variable rate bonds, which will be offset by corresponding changes in the fair value of the interest rate swap agreement. As of December 31, 2004 and 2003, PH recorded the market value of the swap of ($9,433,000) and ($6,536,000) in the investment section of the consolidated financial statements.

7. Long-Term Debt (continued)

Debt Guarantee

At December 31, 2004, the Corporation has guaranteed approximately $758,153 of certain outstanding debt obligations of an unconsolidated entity. This obligation provides for 7.69% fixed rate for 10 years. If the unconsolidated entity defaults on its debt obligation, the Corporation would then be responsible for the obligation.

8. Pension Plans

Parkview sponsors a noncontributory defined benefit pension plan (Plan) covering substantially all employees. Plan benefits are based on years of service and an employee's compensation during a consecutive five-year term of employment within the 10 years prior to benefit determination which results in the highest earnings. An employee becomes a Plan participant upon reaching age 21 and completing at least one-year of eligible service. A year of eligible service is credited to an employee upon the completion of at least 1,000 hours of service in a calendar year. Parkview's funding policy is to contribute annually the minimum contribution required to comply with Employee Retirement Income Security Act of 1974 regulations.

	December 31	
	2004	**2003**
	(In thousands)	
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	**$140,350**	$122,061
Service cost	**9,114**	8,816
Interest cost	**9,341**	9,032
Actuarial loss	**8,611**	3,679
Benefits paid	**(3,553)**	(3,238)
Projected benefit obligation at end of year	**163,863**	140,350
Change in Plan Assets		
Plan assets at fair value at beginning of year	**83,996**	65,344
Actual gain on plan assets	**8,533**	13,073
Company contributions	**17,106**	8,817
Benefits paid	**(3,553)**	(3,238)
Plan assets at fair value at end of year	**106,082**	83,996
Funded Status of the Plan		
Projected benefits in excess of plan assets	**(57,781)**	(56,354)
Unrecognized net loss	**30,590**	24,187
Unrecognized prior service cost	**2,325**	2,646
Adjustment to recognize minimum liability and intangible pension asset	**(5,764)**	–
Accrued pension liability	**$ (30,630)**	$ (29,521)

8. Pension Plans (continued)

Amounts recorded related to the Plan are included in the financial statements as follows:

	December 31	
	2004	**2003**
	(In thousands)	
Accrued pension cost	**$24,866**	$29,521
Intangible pension asset recorded in other assets	**2,326**	–
Minimum pension liability	**3,438**	–
	$30,630	$29,521

The provisions of FASB Statement No. 87, *Employers' Accounting for Pensions*, require recognition in the balance sheet of an additional minimum liability and related intangible asset for pension plans with accumulated benefits in excess of plan assets. Additionally, the recognition of the related intangible asset is limited to the extent of any unrecognized prior service cost. The amount of the additional minimum liability in excess of the recognized intangible asset is recognized as a direct charge to unrestricted net assets. This resulted in the recognition of an additional minimum liability of $3,438,000 which was recorded as a decrease to unrestricted net assets at December 31, 2004, and the recognition of an intangible asset of $2,326,000 at December 31, 2004.

	Years Ended December 31	
	2004	**2003**
	(In thousands)	
Periodic Benefit Cost		
Service cost	**$9,114**	$ 8,816
Interest cost	**9,341**	9,032
Expected return on plan assets	**(7,610)**	(6,367)
Amortization of unrecognized net loss	**1,285**	1,349
Amortization of unrecognized prior service cost	**321**	321
Net periodic benefit cost	**$12,451**	$13,151

The accumulated benefit obligation for the defined benefit plan was $136,711,000 and $113,996,000 at December 31, 2004 and 2003, respectively.

The weighted average assumptions used to determine benefit obligations at December 31 and net periodic benefit costs for the years then ended are as follows:

8. Pension Plans (continued)

	2004	2003
Assumptions –Benefit Obligations		
Discount rate	**6.25%**	6.75%
Expected return on plan assets	**8.75%**	8.75%
Rate of compensation increase	**3.25%**	3.25%
Assumptions –Net Periodic Benefit Cost		
Discount rate	**6.75%**	7.25%
Expected return on plan assets	**8.75%**	8.75%
Rate of compensation increase	**3.25%**	4.75%

The principal long-term determinant of a portfolio's investment return is its asset allocation. The plan allocation is weighted towards growth assets (63%) versus fixed income (37%). In addition, active management strategies have added value relative to passive benchmark returns. The expected long-term rate of return assumption is based on the mix of assets in the plan, the long-term earnings expected to be associated with each asset class, and the additional return expected through active management. This assumption is periodically benchmarked against peer plans.

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Plan.

The Plan weighted-average asset allocations at December 31, 2004 and 2003, by asset category, are as follows:

	2004	2003
Equity securities	**63%**	61%
Debt securities	**37%**	39%
Total	**100%**	100%

The allocation strategy for the Plan currently comprises approximately 40% to 80% growth investments and 20% to 60% fixed-income investments. Within the growth investment classification, the plan asset strategy encompasses equity and equity-like instruments that are of both public and private market investments. These equity and equity-like instruments are public equity securities that are well diversified and invested in U.S. and international companies.

8. Pension Plans (continued)

Estimated Future Benefit payments	*(In thousands)*
2005	$ 3,918
2006	4,291
2007	4,800
2008	5,527
2009	6,411
2010-2014	47,668

Parkview expects to contribute $13,500,000 to its pension plan in 2005.

Contributions to the tax sheltered annuity and 401(k) plans are based on a percentage of eligible employee salaries, as defined. The contributions for the tax shelter annuity and 401(k) plan were $3,247,000 in 2004 and were suspended for 2003.

Beginning January 1, 2005, Parkview developed a new retirement program called Trusted Choices Retirement Program. The new program offered a one time choice to current employees (as of December 31, 2004) to remain in the existing defined benefit plan, or freeze their defined benefit plan benefits and move to a new employer funded defined contribution plan.

Definitions of eligibility, pay, benefit service and vesting under the new defined contribution plan remain the same as the existing defined benefit plan. Contributions to the new defined contribution plan are based upon benefit service points, a combination of age and years of benefit service. Contributions are calculated as a percentage of eligible pay.

Employees hired after December 31, 2004 will only be eligible for the new defined contribution plan. Benefit service points will only be comprised of years of benefit service.

9. Commitments and Contingencies

Certain property and equipment is leased using noncancelable operating lease arrangements. The leases expire in various years through 2009. Future minimum lease payments required under noncancelable operating leases for property and equipment of December 31, 2004 are as follows:

Year ending December 31	*(In thousands)*
2005	$3,408
2006	1,921
2007	1,653
2008	1,693
2009	215
Thereafter	694
	$9,584

10. Functional Expenses

The Corporation, as an integrated health care delivery system, provides and manages the health care needs of its patients and members. Aggregate direct expenses for these services as a percent of total expenses were approximately 88% and 87%, respectively, for the years ended December 31, 2004 and 2003.

11. Restructuring

A change in management structure was announced in November 2003 for Parkview Health System. The 2003 consolidated statements of operations and changes in net assets include $3,300,000 of accrued severance related cost in salaries and wages and employee benefits. An additional $700,000 has been accrued and recorded in other operating expenses in the 2003 accompanying consolidated statements of operations and change in net assets related to continuing lease commitment costs.

12. Subsequent Event

On January 13, 2005, the Corporation entered into an agreement to purchase LaGrange Hospital. LaGrange Hospital produced approximately $15,500,000 in net patient service revenue in 2004. The purchase will be funded with existing funds and is expected to be accretive to the financial position of the Corporation.

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APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS AND DEFINITIONS

TABLE OF CONTENTS

SUMMARY OF THE PRINCIPAL DOCUMENTS AND DEFINITIONS

Brief descriptions of the Amended and Restated Master Indenture, the Indenture and the Loan Agreement are included hereafter in this Official Statement. Such descriptions do not purport to be comprehensive or definitive, and all references herein to the Amended and Restated Master Indenture, the Indenture and the Loan Agreement are qualified in their entirety by reference to each such document, copies of which are available for review prior to the issuance and delivery of the Bonds at the office of Citigroup Global Markets Inc. and thereafter at the principal corporate trust office of the Trustee. All references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Indenture.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Indenture, the Loan Agreement and the Amended and Restated Master Indenture.

"Account" means each Remarketing Account, Obligor Purchase Account and Liquidity Facility Purchase Account established within a Bond Purchase Fund.

"Additional Indebtedness" means Indebtedness incurred by the Members subsequent to the issuance of the first Master Note under the Amended and Restated Master Indenture.

"Adjusted Contributions" means, for any fiscal year of a Person, the lesser of: (i) the Contributions actually received by such Person for such fiscal year or (ii) the sum total of Contributions actually received by such Person during such fiscal year and during the preceding four fiscal years of such Person divided by five.

"Affiliate" means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of one of the states of the United States of America: (a) which controls or which is controlled, directly or indirectly, by a Member; or (b) a majority of the members of the Directing Body of which are the same as the Directing Body of a Member. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a not-for-profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, *"Directing Body"* means: (a) with respect to a corporation having stock, such corporation's board of directors or the owners, directly or indirectly, controlling that corporation as defined in (a) above; (b) with respect to a not-for-profit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's directors, or the corporation's directors if the corporation's members do not have such discretion; and (c) with respect to any other entity, its governing board or body.

"Alternate Liquidity Facility" means a Liquidity Facility issued to replace a Liquidity Facility to purchase Bonds (other than ARS) tendered for purchase as provided in the Indenture.

"Amended and Restated Master Indenture" means the Amended and Restated Master Indenture dated as of November 1, 1998, as supplemented and amended by the Supplemental Amended and Restated Indenture No. 1 dated as of November 1, 1998, among the Corporation, Parkview Hospital, and the Master Trustee.

"Authorized Denominations" means (a) with respect to Bonds which are subject to a Long-Term Interest Rate Period, $5,000 or any integral multiple thereof, (b) with respect to Bonds which are ARS, $25,000 or any integral multiple thereof, and (c) with respect to Bonds which are not described in the preceding clause (a) or clause (b), $100,000 or any integral multiple of $5,000 in excess of $100,000.

"Bank" means JPMorgan Chase Bank, National Association.

"Bank Bond" or *"Bank Bonds"* means Bonds purchased by the Liquidity Facility Provider or its assignee pursuant to a Liquidity Facility.

"Bank Bond Rate" means the rate set forth in the Liquidity Facility.

"Basic Agreements" means each of the Indenture, the Bonds and the Obligor Security Instruments.

"BMA Index" means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association ("BMA") or any person acting in cooperation with or under the sponsorship of BMA and acceptable to the Remarketing Agent, and effective from such date.

"Bond Counsel" means Ice Miller or any other attorney at law or firm of attorneys selected by the Authority and reasonably acceptable to the Trustee and the Obligated Group Representative of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Fund" -- see below under "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE—Source and Application of Funds."

"Bond Insurer" means initially Ambac Assurance Corporation, or any successor thereto or assignee thereof.

"Bond Interest Term Rate" means, with respect to each Bond, a non-variable interest rate on such Bond established periodically in accordance with the Indenture.

"Bond Purchase Fund" means each such trust fund established with a Tender Agent pursuant to the Indenture.

"Bondholder" "holder" or *"owner of the Bonds"* when used in the Indenture, means the registered owners of any Bond and, when used in the Master Indenture, means the registered owner of any Related Bond.

"Bond Insurance Policy" or *"Financial Guaranty Insurance Policy"* of the Bond Insurer which insures payment of the principal of and interest on the Bonds when due.

"Bonds" means the Series 2005A Bonds and the Series 2005B Bonds.

"Book Value", when used with respect to Property of any Member or of the Obligated Group, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Member or in the most recent audited combined financial statements of such Obligated Group, as the case may be, which have been prepared in accordance with GAAP, *provided* that the Book Value of the Property of the Obligated Group shall be calculated in such a manner that no portion of the value of any Property of any Member is included more than once.

"Business Day" means any day other than a Saturday, Sunday or other day on which banks located (a) in the city in which the corporate trust office of the Trustee responsible for the administration of the Indenture is located, (b) in the city in which the office of the Bond Insurer or the Bond Insurer's custodian at which claims under the Bond Insurance Policy are to be paid (initially, New York, New York) is located, (c) in the city in which the corporate trust office of the Master Trustee responsible for the administration of the Master Indenture is located, (d) in the city in which the office of the Liquidity Facility Provider at which drawings under the Liquidity Facility are to honored is located, (e) in the city in which the corporate trust office of the Trustee or Tender Agent at which the Bonds may be tendered for purchase by the holders thereof is located, and (f) in the city in which the principal office of the Remarketing Agent is located, are required or authorized to remain closed or on which The New York Stock Exchange is closed.

"Capitalized Interest" means amounts irrevocably deposited in escrow in connection with the issuance of Funded Indebtedness or Related Bonds to pay interest on such Funded Indebtedness or Related Bonds and interest earned on such amounts.

"Capitalized Lease" means any lease of real or personal property which, in accordance with GAAP, is required to be capitalized on the balance sheet of the lessee.

"Capitalized Rentals" means the amount at which the aggregate Net Rentals due and to become due would be reflected as a liability on a balance sheet of such Person.

"Closing Date" means the date of delivery of the Bonds to the Underwriter against payment therefor.

"Code" means the Internal Revenue Code of 1986, as from time to time amended, and any regulations promulgated thereunder which are applicable to the Bonds, including without limitation any Treasury Regulations or Temporary or Proposed Regulations, as the same shall from time to time be amended including (until modified, amended or superseded) Treasury Regulations or Temporary or Proposed Regulations under the Internal Revenue Code of 1954, as amended, as applicable to the Bonds.

"Completion Certificate" means the completion certificate required under the Loan Agreement to be executed by the Obligated Borrower Representative with respect to the completion of the Project.

"Completion Date" means the earlier to occur of (i) the date on which the acquisition, construction, equipping and furnishing of the Project are completed as evidenced by the delivery of a Completion Certificate under the Loan Agreement and (ii) the date of abandonment of the Project.

"Construction Index" means the most recent issue of the "Dodge Construction Index for U.S. and Canadian Cities", with reference to the city in which the subject Property is located, or, if such index is no longer published, such other index which is certified to be comparable and appropriate by the Obligated Group Representative in an Officer's Certificate delivered to the Master Trustee and which other index is acceptable to the Master Trustee.

"Consultant" means a professional consulting firm acceptable to the Master Trustee, recognized as having the skill and experience necessary to render the particular report required, which firm shall have no interest, direct or indirect, in any Member and shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of any Member.

"Contributions" means the aggregate amount of all contributions, grants, gifts and bequests actually received in cash or marketable securities by any Person in the applicable fiscal year of such Person which are not restricted in any way which would prevent their application to the payment of debt service on Indebtedness.

"Conversion" means a conversion of the Bonds of a particular series from one Interest Rate Period to another Interest Rate Period as provided in the Indenture.

"Conversion Date" means the effective date of a Conversion of the Bonds of a particular series.

"Corporate Charter" means the document as amended pursuant to which a corporation was organized.

"Corporation" means Parkview Health System, Inc., an Indiana nonprofit corporation.

"Costs of Collection" means all reasonable attorneys' fees and out-of-pocket expenses incurred by the Trustee and all costs and expenses associated with travel on behalf of the Trustee, which costs and expenses are directly or indirectly related to the Trustee's efforts to collect or enforce the Bonds, the Indenture or Obligor Security Instruments, or any of the Trustee's rights, remedies, powers, privileges, or discretion against or in respect of the Obligors thereunder (whether or not suit is instituted in connection with any of the foregoing).

"Credit Group" means the Corporation, Parkview Hospital, any other Members of the Obligated Group and any Designated Affiliates.

"Current Value" means (i) with respect to Property, Plant and Equipment: (a) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated) increased or decreased to reflect the percentage change in the Construction Index from the date of such report; plus (b) the Book Value of any Property, Plant and Equipment acquired since the last such report increased or decreased to reflect the percentage change in the Construction Index from the date of such acquisition to the date as of which Current Value is to be calculated; minus (c) the greater of the Book Value or the fair market value (as reflected in such report) of any Property, Plant and Equipment disposed of since such report increased or decreased to reflect the percentage change in the Construction Index, and (ii) with respect to any other Property the fair market value of such Property, which fair market value shall be evidenced in a manner satisfactory to the Master Trustee.

"Daily Interest Rate" means a variable interest rate for the Bonds established in accordance with the Indenture.

"Daily Interest Rate Period" means each period during which a Daily Interest Rate is in effect for the Bonds of a particular series.

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made in respect of principal (whether at maturity, as a result of mandatory prepayment or otherwise) and interest on outstanding Funded Indebtedness (or in the case of Capitalized Rentals with respect to Capitalized Leases, the aggregate of the Net Rentals required to be made on such Capitalized Leases), excluding, however, (a) interest to the extent that Capitalized Interest is available to pay such interest, (b) principal or interest to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied and are sufficient to pay such principal or interest on the scheduled due date.

"Default" means any Event of Default or any event or condition which, with the passage of time or giving of notice or both, would constitute an Event of Default.

"Defeasance Securities" means (i) United States Obligations, (ii) evidences of ownership of proportionate interests in future interest and principal payments on United States Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated and which have been rated "AAA" and "Aaa" by S&P and Moody's, respectively, (iii) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, (iv) securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, and (v) any other securities approved by the Bond Insurer.

"Encumbered" means subject to a Lien.

"Escrow Obligations" means, (i) with respect to any series of Related Bonds, the obligations permitted to be used to refund or advance refund such series of Related Bonds under the Related Indenture, and (ii) in all other cases, (a) United States Government Obligations, or (b) obligations of any agency or instrumentality of the United States Government which are guaranteed by the full faith and credit of the United States of America, or (c) certificates of deposit which are fully insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or similar corporation chartered by the United States or if issued by a bank or trust company if such certificates shall be secured by a pledge of any United States Government Obligations having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured, or (d)(1) evidences of a direct ownership in future interest or principal payments on obligations issued or guaranteed by the United States of America, which obligations are held in a custody account by a custodian satisfactory to the Master Trustee, pursuant to the terms of a custody agreement and (2) obligations issued by any state of the United States or any political subdivision, public instrumentality or public authority of any state, which

obligations are fully secured by and payable solely from direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the United States of America, which security is held pursuant to an agreement in form and substance acceptable to the Master Trustee.

"Event of Default" -- see below under "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE—Events of Default and Remedies."

"Excluded Property" means all real estate of the Members and all improvements, fixtures, tangible personal property and equipment located on such real estate or used in connection therewith, other than the Primary Facilities.

"Expenses" means, for any period, the aggregate of all expenses calculated under GAAP, including without limitation any taxes, incurred by the Person or group of Persons involved during such period, minus interest on Funded Indebtedness, depreciation and amortization and extraordinary expenses (including without limitation losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt) and, if such calculation is being made with respect to the Obligated Group, excluding any such expenses attributable to transactions between Members.

"Facilities" means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located).

"Favorable Opinion of Bond Counsel" means, with respect to any action relating to the Bonds the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Trustee, the Obligors, the Bond Insurer and the Remarketing Agent or the Broker-Dealers, as applicable, to the effect that such action is permitted under the Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Bonds from personal income taxation under the laws of the State of Indiana (subject to customary exceptions).

"Fiscal Year" means any period beginning on January 1 of any calendar year and ending on December 31 of such year, or any other twelve-month period selected by the Corporation as its Fiscal Year. When any Member or Designated Affiliate maintains a fiscal year different than that of the Corporation, a Fiscal Year of the Credit Group shall be deemed to include the fiscal year of such other Member or Designated Affiliate ending on any date within one year prior to the last day of the Fiscal Year of the Corporation.

"Fund" means any of the Project Fund, the Bond Fund and the Bond Purchase Fund.

"Funded Indebtedness" means with respect to any Person (i) all Long-Term Indebtedness of such Person; and (ii) Capitalized Rentals under Capitalized Leases entered into by the Person.

"GAAP" means generally accepted accounting principles as from time to time in effect.

"Governing Body" means, with respect to a Member, the board of directors or similar body in which the right to exercise the powers of corporate directors is vested.

"Guaranty" means all obligations of a Person guaranteeing or, in effect, guaranteeing any Indebtedness, dividend or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person to assure the owner of such Indebtedness against loss in respect thereof.

"Historical Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; *provided*, however, that in calculating the Debt Service Requirements for such period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from a source other than Revenues of the Credit Group; and *further provided* that, when such calculation is being made with respect to the Credit

Group, Income Available for Debt Service and Debt Service Requirements shall be determined only with respect to those Persons who are members thereof at the close of such period.

"Income Available for Debt Service" means, for any period, the excess of Revenues over Expenses of the Person or group of Persons involved.

"Indebtedness" means, for any Person, (a) all Guaranties by such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes) recorded as such on the audited financial statements of such Person as of the end of the then most recent fiscal year for which financial statements reported upon by independent certified public accountants are available, and (c) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events or (ii) if incurred or assumed primarily to assure the repayment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise, and shall include, without limitation, Non-Recourse Indebtedness; *provided* that Indebtedness shall not include Indebtedness of one member of the Credit Group to another member of the Credit Group or any Guaranty by any member of the Credit Group of Indebtedness of any other member of the Credit Group.

"Indenture" means the Indenture dated as of July 1, 2005 between the Authority and the Trustee.

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for any Related Issuer, any Member, any Affiliate, the Master Trustee or any Related Trustee.

"Insurance Consultant" means a person or firm who is not an employee or officer of any Member, any Affiliate or any Related Issuer, appointed by the Obligated Group Representative, qualified to survey risks and to recommend insurance coverage for hospital or health care facilities and services of the type involved, and having a favorable reputation for skill and experience in such surveys and such recommendations.

"Interest Accrual Date" with respect to the Bonds other than ARS means: (a) for any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month during such Weekly Interest Rate Period; (b) for any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month; (c) for any Long-Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date during that Long Term Interest Rate Period, other than the last such Interest Payment Date; and (d) for each Bond Interest Term within a Short-Term Interest Rate Period, the first day thereof.

"Interest Payment Date" means: (a) with respect to the Bonds other than ARS, (i) for any Weekly Interest Rate Period, the first Wednesday of each calendar month, or, if the first Wednesday is not a Business Day, the next succeeding Business Day; (ii) for any Daily Interest Rate Period, the fifth Business Day of the next succeeding calendar month; (iii) for any Long Term Interest Rate Period, each November 1 and May 1, or if any November 1 or May 1 is not a Business Day, the next succeeding Business Day; (iv) for any Bond Interest Term, the day next succeeding the last day of that Bond Interest Term; (v) for each Interest Rate Period, the day next succeeding the last day thereof; and (vi) for Bank Bonds, as set forth in the Liquidity Facility; and (b) with respect to Bonds which are ARS, each ARS Interest Payment Date.

"Interest Rate Period" means each Daily Interest Rate Period, Weekly Interest Rate Period, Short Term Interest Rate Period, Long Term Interest Rate Period or ARS Interest Rate Period.

"Irrevocable Deposit" means with respect to any Indebtedness or portion thereof an irrevocable deposit in trust with a corporate trustee of cash (or Escrow Obligations the principal of and interest on which will be) sufficient to pay when due the principal, premium, and interest of any Indebtedness or such portion which would otherwise be considered Outstanding.

"Lien" means any mortgage, pledge, security interest in, lien, charge or encumbrance on any Property of a Member or a Designated Affiliate which secures any obligation to any Person (other than another member of the

Credit Group) and any Capitalized Lease under which any Member or a Designated Affiliate is lessee if the lessor is not another member of the Credit Group.

"Liquidity Facility" initially means the facility provided by JPMorgan Chase Bank, National Association and under the Indenture it means a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement acceptable to the Bond Insurer by a Liquidity Facility Provider to provide liquidity support to pay the Tender Price of the Bonds (other than ARS) tendered for purchase in accordance with the provisions of the Indenture and any Alternate Liquidity Facility delivered pursuant to the terms of the Indenture.

"Liquidity Facility Provider" means the provider of a Liquidity Facility, and its successors and permitted assigns, each having a rating of at least "A-1" by S & P or "VMIG-1" by Moody's and, upon the effective date of an Alternate Liquidity Facility, the bank or banks or other financial institution or financial institutions or other Person or Persons issuing such Alternate Liquidity Facility, their successors and assigns, subject to the approval of the Bond Insurer. If any Alternate Liquidity Facility is issued by more than one bank, financial institution or other Person, notices required to be given to the Liquidity Facility Provider may be given to the bank, financial institution or other Person under such Alternate Liquidity Facility appointed to act as agent for all such banks, financial institutions or other Persons.

"Liquidity Facility Purchase Account" means each account with that name established within the Bond Purchase Fund pursuant to the Indenture.

"Loan Agreement" means the Loan Agreement, dated the date of the Indenture, among the Authority and the Obligors, and any amendments and supplements thereto.

"Loan Default" means the occurrence of one of the events described in the Loan Agreement.

"Loan Payment" means a payment by the Obligors pursuant to the Master Note of amounts which correspond to interest, or principal and interest on account of debt service on the Bonds, plus related fees and expenses, all in accordance with the Loan Agreement and the Master Note.

"Long-Term Indebtedness" means Indebtedness having a stated maturity greater than one year or renewable at the option of the debtor for a period greater than one year from its original issuance.

"Long-Term Interest Rate" means a term, non variable interest rate established in accordance with the Indenture.

"Long-Term Interest Rate Period" means each period during which a Long Term Interest Rate is in effect.

"Majority of the Bondholders" means the holders of more than 50 percent of the aggregate principal amount of Outstanding Bonds.

"Mandatory Standby Tender" means the mandatory tender of the Bonds pursuant to the Indenture upon receipt by the Trustee of written notice from the Liquidity Facility Provider that an event with respect to the Liquidity Facility has occurred which requires or gives the Liquidity Facility Provider the option to terminate such Liquidity Facility upon notice. Mandatory Standby Tender shall not include circumstances where the Liquidity Facility Provider may suspend or terminate its obligations to purchase securities without notice, in which case there will be no mandatory tender.

"Master Indenture" means the Amended and Restated Master Indenture, as heretofore supplemented and amended, as supplemented and amended by the Series 2005A Supplemental Indenture, the Series 2005B Supplemental Indenture, the Series 2005A-S Supplemental Indenture, the Series 2005B-S Supplemental Indenture, the Series 2005C-S Supplemental Indenture, the Series 2005A-B Supplemental Indenture, the Series 2005B-B Supplemental Indenture and as further supplemented and amended from time to time.

"Master Note Holder" means the registered owner of any Master Note.

"Master Notes" means all Master Notes issued under the Master Indenture.

"Master Trustee" shall mean U.S. Bank National Association (formerly National City Bank of Indiana), or any successor Master Trustee appointed pursuant to the provisions of the Master Indenture.

"Maximum Bank Bond Interest Rate" means the lesser of (a) the maximum interest rate on Bank Bonds, as described in the then current Liquidity Facility; (b) 25% per annum and (c) the Maximum Lawful Rate.

"Maximum Bond Interest Rate" means (a) with respect to Bonds (other than ARS or Bank Bonds) the lesser of 12% per annum and the Maximum Lawful Rate and (b) with respect to ARS, the lesser of 15% per annum and the Maximum Lawful Rate, in each case calculated in the same manner as interest is calculated for the particular interest rate on the Bonds.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant Obligation permitted by applicable law.

"Member" or *"Member of the Obligated Group"* means any Person who is then designated as a Member of the Obligated Group.

"Moody's" means Moody's Investors Service, Inc.

"Net Proceeds" means, when used with respect to any insurance or condemnation award, the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees, adjuster's fees and any expenses of the Master Trustee) incurred in the collection of such gross proceeds.

"Net Rentals" means all fixed rents payable under a lease of real or personal Property, including any sums payable upon the scheduled termination thereof, but excluding any amounts payable for maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration; *provided* that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

"1998 Bonds" means the City of Fort Wayne, Indiana Revenue Bonds, Series 1998 (Parkview Health System, Inc. Project).

"Non-Recourse Indebtedness" means any Indebtedness incurred for the acquisition of Property, Plant and Equipment, liability for which is limited to such Property, Plant and Equipment with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

"Obligated Group" means (a) the Corporation, (b) Parkview Hospital and any other Person which has fulfilled the requirements for entry into the Obligated Group under the Master Indenture.

"Obligated Group Representative" means, under the Amended and Restated Master Indenture, the Corporation or any other Member designated to the Master Trustee by a Written Request signed by all Members. *"Obligated Group Representative"* under the Indenture means initially the Corporation or the person or each alternate designated to act for the Corporation which shall initially be the President, any Vice President, or the Chief Financial Officer of the Corporation as the context so requires.

"Obligor" or *"Obligors"* means the Corporation and Parkview Hospital.

"Obligor Bonds" means the Bonds held by the Tender Agent for and on behalf of the Obligors or any nominee for (or any Person who owns such Bonds for the sole benefit of) the Obligors pursuant to the Indenture and the Tender Agent Agreement.

"Obligor Purchase Account" means each account with that name established within the Bond Purchase Fund pursuant to the Indenture.

"Obligor Security Instruments" means each of (a) the Loan Agreement, (b) the Master Indenture, (c) the Master Note and (d) each of such additional or supplemental notes and other instruments as the Obligors or any other Person from time to time may enter into in favor of the Trustee for the purpose of securing or supporting the obligations of the Obligors to pay all or any portion of the Loan Payments or for the purpose of securing all or any portion of the Bonds and as shall be identified as an "Obligor Security Instrument" for the purpose of this Indenture by written agreement of the Obligors and the Trustee, each as from time to time in effect.

"*Officer's Certificate*" means a certificate signed, in the case of a corporation, by the President or any Vice-President of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person.

"Official Statement" means the Official Statement relating to the Bonds, including all appendices thereto.

"Original Master Indenture" shall mean the Master Indenture as in effect immediately prior to its amendment by the Amended and Restated Master Indenture.

"Outstanding" for all purposes of the Amended and Restated Master Indenture means all Indebtedness which has been issued except (i) Indebtedness which is no longer deemed outstanding under its terms and with respect to which the obligor is no longer liable, (ii) Indebtedness for which an Irrevocable Deposit has been made, and (iii) for the purpose of any waivers, consents, notices or other actions under the Master Indenture, Related Bonds held by any Member or an Affiliate.

"Outstanding Bonds" or *"Bonds outstanding"* means the amount of principal of the Bonds which has not at the time been paid exclusive of (a) Bonds in lieu of which others have been authenticated pursuant to the Indenture, (b) principal of any Bond which has become due (whether by maturity, call for redemption or otherwise) and for which provision for payment as required in the Indenture has been made and (c) for purposes of any direction, consent or waiver under the Indenture, Bonds deemed not to be outstanding, pursuant to the Indenture; provided that Bonds paid by payments made under the Policy shall be deemed to be Outstanding Bonds until the Bond Insurer is reimbursed in full.

"Outstanding Master Notes" or *"Master Notes Outstanding"* means all Master Notes which have been duly authenticated and delivered under the Amended and Restated Master Indenture, except:

(a) Master Notes cancelled after purchase in the open market or after payment;

(b) Master Notes for the payment or redemption of which cash or Escrow Obligations shall have been deposited with the Master Trustee or any Related Trustee (whether upon or prior to the maturity or redemption date thereof) in accordance with the Amended and Restated Master Indenture; *provided* that if such Master Notes are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption shall have been given or waived or arrangements satisfactory to the Master Trustee shall have been made;

(c) Master Notes in lieu of which others have been authenticated under the Amended and Restated Master Indenture; and

(d) For the purpose of any waivers, consents, notices or other actions by the holders of Master Notes, Master Notes held by any Member or any Affiliate.

"Parkview Hospital" means Parkview Hospital, Inc., an Indiana nonprofit corporation, its successors and assigns.

"Participant" means, with respect to DTC or another Securities Depository, a member or participant in DTC or such other Securities Depository, respectively.

"Paying Agent" means the bank or banks, if any, designated as such pursuant to the Master Indenture or a Related Indenture.

"Payment Date" means each Interest Payment Date or any other date on which any principal of, premium, if any, or interest on any Bond is due and payable for any reason, including without limitation upon any redemption of Bonds pursuant to the Indenture.

"Payment Obligations" means the payment obligations of the Obligors pursuant to any Liquidity Facility, including any interest, fees, costs and other similar amounts required to be paid by the Obligors pursuant to any such obligation.

"*Permitted Encumbrances*" means the Amended and Restated Master Indenture, any Related Loan Document, any Related Indenture and, as of any particular time:

(a) Liens arising by reason of good faith deposits with a Person in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by a Person to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable a Person to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien on Property if such Lien equally and ratably secures all of the Master Notes and only the Master Notes;

(c) leases of any Member or any Designated Affiliate as lessor relating to Property which is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments, leases, licenses or similar rights to use Property existing as of November 1, 1998 and any renewals and extensions thereof, and any leases, licenses or similar rights to use Property whereunder a Member or Designated Affiliate is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessor or licensor than would obtain in a comparable arm's-length transaction;

(d) Liens for taxes and special assessments which are not then delinquent or if then delinquent are being contested in accordance with the provisions of the Master Indenture;

(e) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property of the Members or Designated Affiliates affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(f) any mechanic's, laborer's, material man's, supplier's or vendor's Lien or right in respect thereof if payment is not yet due under the contract in question or if such Lien is being contested in accordance with the provisions of the Master Indenture;

(g) such minor defects, irregularities of title and encroachments on adjoining property as normally exist with respect to Property similar in character to the Property of the Members or Designated Affiliates

involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof;

(h) zoning laws and similar restrictions which are not violated by the Property or the use thereof of the Credit Group affected thereby;

(i) statutory rights under Section 291, Title 42 of the United States Code, as a result of Hill-Burton grants, and similar rights under other federal or state statutes;

(j) any interest of any state, any municipality and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(k) Liens on or in Property given, bequeathed or devised to the owner thereof existing at the time of such gift, bequest or devise, provided that (i) such Liens attach solely to that Property, and (ii) the Indebtedness secured by such Liens is not assumed by any Member or any Designated Affiliate;

(l) Liens resulting from any judgment or award that is not yet final or is being contested, provided that stay of execution pending such contest has in good faith been obtained;

(m) Liens on moneys deposited by patients or others with a Person as security for or as prepayment of the cost of patient care or any rights of residents of life care or similar facilities to endowment or similar funds deposited by or on behalf of such residents;

(n) Liens on Property due to rights of third party payers for recoupment of excess payments;

(o) any security interest in any fund established pursuant to the terms of any Related Supplemental Indenture or any Related Indenture in favor of the Master Trustee, the Related Trustee, the Related Issuer or the holder of the Indebtedness issued pursuant to such document;

(p) any Lien secured by any Related Bond;

(q) any Lien with respect to Property which Lien either secures the purchase price of such Property or is a Lien to which such Property is subject at the time of its acquisition by the Member or Designated Affiliate;

(r) (with the consent of any issuer of a letter of credit supporting any Series of Related Bonds if required by the reimbursement agreement with such letter of credit issuer), Liens on accounts receivable arising as a result of the sale of such accounts receivable with or without recourse, *provided* that the principal amount of Indebtedness secured by any such Lien does not exceed the aggregate sales price of such accounts receivable received by the Member or Designated Affiliate selling the same;

(s) any Lien on any Property of any Member or Designated Affiliate granted in favor of or securing Indebtedness to any other Member or Designated Affiliate;

(t) such Liens, covenants, conditions and restrictions, if any, which do not secure indebtedness and which are other than those of the type referred to above, and which (i) in the case of Property of any Member or any Designated Affiliate on November 1, 1998, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member or Designated Affiliate;

(u) Liens on any Property of a Member or of a Designated Affiliate at November l, 1998 or existing at the time any Person becomes a Member or a Designated Affiliate; *provided* that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any

Property of the Member or any Designated Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Amended and Restated Master Indenture;

(v) Liens on Property of a Person existing at the time such Person is merged into or consolidated with a Member or a Designated Affiliate, or at the time of a sale, lease or other disposition of the Properties of a Person as an entirety or substantially as an entirety to a Member or a Designated Affiliate which becomes part of a Property that secured Indebtedness that is assumed by a Member or a Designated Affiliate as a result of any such merger, consolidation or acquisition; *provided*, that no such Lien may be increased, extended, renewed, or modified after such date to apply to any Property of a Member or a Designated Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Amended and Restated Master Indenture; and

(w) Liens on any Property of a Member or a Designated Affiliate securing any Indebtedness if at the time of incurrence of such Indebtedness and after giving effect to all Liens permitted under this subsection (w), the aggregate value of Property subject to such Liens pursuant to this subsection (w) does not exceed 25% of the value of the total assets of the Credit Group, as such value is shown on the most recent financial reports required to be delivered under the Amended and Restated Master Indenture.

"Person" under the Amended and Restated Master Indenture means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity. *"Person"* means, with respect to provisions related to the Indenture, a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

"Pledged Revenues" shall mean all gross revenues, rents, profits, receipts, benefits, royalties, money and income of any Obligated Group Member arising from services provided by Obligated Group Members or arising in any manner with respect to, incident to or on account of the Obligated Group Members operations, including, without limitation, (i) the Obligated Group Members' rights under agreements with insurance companies, Medicare, Medicaid, governmental units and prepaid health organizations, including rights to Medicare and Medicaid loss recapture under applicable regulations and (ii) gifts, grants, bequests, donations, contributions and pledges to any Obligated Group Member and (iii) insurance proceeds or any award, or payment in lieu of an award, resulting from condemnation proceedings and all rights to receive the foregoing, whether now owned or hereafter acquired by any Obligated Group Member and regardless of whether generated in the form of accounts, accounts receivable, contract rights, chattel paper, documents, general intangibles, instruments, investment property, proceeds of insurance and all proceeds of the foregoing, whether cash or noncash; excluding, however, gifts, grants, bequests, donations, contributions and pledges to any Obligated Group Member heretofore or hereafter made, and the income and gains derived there from, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under the Indenture or on the Indebtedness except that gifts, grants, bequests, donations, contributions and pledges which may be applied at the discretion of an Obligated Group Member to the payments due under the Indenture on the Indebtedness for any period shall not be excluded for purposes of determining Pledged Revenues of the Obligated Group Member for such period.

"Primary Facilities" means the real Property of the Credit Group described in the Amended and Restated Master Indenture as amended, upon which any operations of the Members which are integral to the Revenues of the Credit Group are conducted, together with all buildings, improvements, fixtures, machinery, equipment or tangible personal property located thereon. *Exhibit A* to the Amended and Restated Master Indenture shall be amended from time to time by agreement among the Master Trustee and the Obligated Group Representative to reflect any changes in the location of the real Property of the Credit Group upon which any operations of the Members which are integral to the Revenues of the Credit Group are conducted.

"Primary Obligor" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

"Principal Office" means with respect to the Trustee or the Tender Agent, the address of such Person identified as its notice address in the Indenture or otherwise notified in writing by such Person to the Authority, the Obligors, the Trustee, the Tender Agent, the Bond Insurer and the Remarketing Agent.

"Project" means the acquisition, construction and equipping of certain health care facilities of the Obligors or their affiliates.

"Project Fund" – see below under "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE—Source and Application of Funds."

"Property" means interests in and to property whether real or personal, tangible or intangible.

"Property, Plant and Equipment" means all Property of each Member or Designated Affiliate which is classified as property, plant and equipment under GAAP.

"Purchase Contract" means the Bond Purchase Contract among the Obligors, the Authority and the Underwriter relating to the Bonds.

"Qualified Investments" means investments identified in Exhibit B to the Indenture.

"Rating Agency" means Moody's, S&P, or Fitch and their respective successors and assigns.

"Record Date" (a) with respect to the Bonds other than ARS, means (i) with respect to any Interest Payment Date in respect to any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect to a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (ii) with respect to any Interest Payment Date in respect to any Weekly Interest Rate Period or any Short-Term Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, and (iii) with respect to any Interest Payment Date in respect to any Long-Term Interest Rate Period, the fifteenth day immediately preceding that Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, that first day and (b) with respect to any Bonds which are ARS, means the second Business Day next preceding each ARS Interest Payment Date.

"Reimbursement Amounts" means all amounts owing to the Bond Insurer on account of payments by the Bond Insurer under the Policy.

"Related Indenture" means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

"*Related Bonds*" means revenue bonds or similar obligations issued by any state of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing, the proceeds of which are loaned or otherwise made available to a Member in consideration, whether in whole or in part, of the execution, authentication and delivery of a Master Note.

"Related Issuer" means the issuer of any series of Related Bonds.

"Related Loan Document" means any document pursuant to which proceeds of Related Bonds are made available to a Member.

"Related Supplemental Indenture" means any indenture supplementing the Master Indenture.

"Remarketing Account" means each account with that name established within a Bond Purchase Fund pursuant to the Indenture.

"Remarketing Agent" means each Person qualified under the Indenture to act as Remarketing Agent for the Bonds other than ARS and appointed by the Obligated Group Representative with the consent of the Authority from time to time subject to the approval of the Bond Insurer.

"Remarketing Agreement" means a Remarketing Agreement between the Obligors and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent under the Indenture, as amended from time to time.

"Request" means a request by the Tender Agent under a Liquidity Facility or an Alternate Liquidity Facility for the payment of Tender Price of Bonds in accordance with the terms of the Indenture.

"Revenue Pledge Conditions" shall mean the continuous and simultaneous satisfaction of all of the following conditions (a) the Series 1998 Bonds are Outstanding within the meaning of the Indenture, (b) certain Historical Debt Service Coverage Ratios of the Credit Group have not been attained, and (c) the Bond Insurer has not agreed in writing to waive its requirement for a grant of the security interest in Pledged Revenues provided in the Granting Clause of the Master Indenture. If any of the preceding conditions is not met at any given time, then the Revenue Pledge Conditions shall not be deemed to have been met at that time.

"Revenues" means, for any period: (I) in the case of any Person providing health care services, the sum of (a) gross patient service revenues less contractual allowances and provisions for uncollectible accounts, free care and discounted care, plus (b) other operating revenues, plus (c) non-operating revenues (other than Contributions, income derived from the sale of assets not in the ordinary course of business, any gain or loss from the extinguishment of debt or other extraordinary item, earnings which constitute Capitalized Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of Indebtedness), plus (d) Adjusted Contributions, all as determined in accordance with GAAP; and (II) in the case of any other Person, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with GAAP, but excluding in any event (a) any gain or loss resulting from the extinguishment of Indebtedness, (b) any gain or loss resulting from the sale, exchange or other disposition of assets not in the ordinary course of business and any unusual charges for valuation adjustments relating to fixed assets, (c) any gain or loss resulting from any discontinued operations, (d) any gain or loss resulting from pension terminations, settlements or curtailments, (e) any unusual charges for employee severance, (f) other extraordinary items as defined by GAAP or (g) any unrealized gains or losses for general investments. If such calculation is being made with respect to the Credit Group, such calculation shall also be made in such a manner so as to exclude any revenues attributable to transactions between members of the Credit Group.

"S&P" means Standard and Poor's Credit Market Services.

"Securities Depository" means DTC or, if applicable, any successor securities depository appointed pursuant to the Indenture.

"Series 2005 Bank Notes" means the Series 2005A Bank Note and the Series 2005B Bank Note.

"Series 2005 Notes" means the Series 2005A Master Note and the Series 2005B Master Note both issued and delivered by the Obligated Group under the Loan Agreement.

"Series 2005 Supplemental Master Indentures" means the Series 2005A Supplemental Master Indenture and the Series 2005B Supplemental Master Indenture.

"Series 2005 Swap Notes" means the Series 2005A Swap Note, the Series 2005B Swap Note, and the Series 2005C Swap Note.

"Series 2005A Bank Note" means the Master Note Series 2005A-B issued by the Obligated Group to secure the Series 2005A Standby Bond Purchase Agreement.

"Series 2005A Bonds" means the Authority's Revenue Bonds (Parkview Health System Obligated Group) Series 2005A.

"Series 2005A Confirmation" means the confirmation between the Corporation and the Swap Provider dated April 26, 2005 relating to the Series 2005A Swap Note.

"Series 2005A Master Note" means the Series 2005A Master Note issued and delivered by the Obligated Group under the Loan Agreement for the Series 2005A Bonds.

"Series 2005A Supplemental Indenture" means the Series 2005A Supplemental Master Indenture dated as of July 1, 2005 among the Obligors and the Master Trustee, with respect to the Series 2005A Master Note.

"Series 2005A Swap Note" means the Master Note Series 2005A-S issued by the Obligated Group under the 2003 Master Agreement and the Series 2005A Confirmation relating to the Series 2005A Bonds.

"Series 2005A-B Supplemental Indenture" means the Series 2005A-B Supplemental Master Indenture dated as of July 1, 2005 among the Obligors and the Master Trustee, with respect to the Series 2005A Bank Note.

"Series 2005A-S Supplemental Indenture" means the Series 2005A-S Supplemental Master Indenture dated as of May 1, 2005 among the Obligors and the Master Trustee, with respect to the Series 2005A Swap Note.

"Series 2005B Bank Note" means the Master Note Series 2005B-B issued by the Obligated Group to secure the Series 2005B Standby Bond Purchase Agreement.

"Series 2005B Bonds" means the Authority's Revenue Bonds (Parkview Health System Obligated Group) Series 2005B.

"Series 2005B Confirmation" means the confirmation between the Corporation and the Swap Provider dated July 7, 2005 relating to the Series 2005B Swap Note.

"Series 2005B Master Note" means the Series 2005B Master Note issued and delivered by the Obligated Group under the Loan Agreement for the Series 2005B Bonds.

"Series 2005B Supplemental Indenture" means the Series 2005B Supplemental Master Indenture dated as of July 1, 2005 among the Obligors and the Master Trustee, with respect to the Series 2005B Master Note.

"Series 2005B Swap Note" means the Master Note Series 2005B-S issued by the Obligated Group under the 2003 Master Agreement and the Series 2005B Confirmation relating to the Series 2005B Bonds.

"Series 2005B-B Supplemental Indenture" means the Series 2005B-B Supplemental Master Indenture dated as of July 1, 2005 among the Obligors and the Master Trustee, with respect to the Series 2005B Bank Note.

"Series 2005B-S Supplemental Indenture" means the Series 2005B-S Supplemental Master Indenture dated as of July 1, 2005 among the Obligors and the Master Trustee, with respect to the Series 2005B Swap Note.

"Series 2005C Confirmation" means the confirmation between the Corporation and the Swap Provider dated July 7, 2005 relating to the Series 2005C Swap Note.

"Series 2005C Swap Note" means the Master Note Series 2005C-S issued by the Obligated Group under the 2003 Master Agreement and the Series 2005C Confirmation relating to the refunding in 2008 of a portion of the 1998 Bonds.

"Swap Provider" means Citibank, N.A., New York.

"Short-Term Interest Rate Period" means each period, consisting of Bond Interest Terms, during which the Bonds of a particular series bear interest at one or more Bond Interest Term Rates.

"Standby Bond Purchase Agreement" means each of the Standby Bond Purchase Agreements among JPMorgan Chase Bank, National Association, the Obligors and the Trustee dated as of July 1, 2005.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Tender Agent" means each Person qualified under the Indenture to act as Tender Agent with respect to the Bonds other than ARS and so appointed by the Obligated Group Representative and so acting from time to time, and its successors.

"Tender Date" means the date on which Bonds are required to be purchased pursuant to the Indenture.

"Tender Price" means the purchase price to be paid to the holders of Bonds purchased pursuant to the Indenture, which shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Payment Date); provided, however, that in the case of a Conversion or attempted Conversion from a Long-Term Interest Rate Period on a date on which the Bonds being converted would otherwise be subject to optional redemption pursuant to the Indenture if such Conversion did not occur, the Tender Price shall also include the optional redemption premium, if any, provided for such date under the Indenture.

"Trust Estate" means the property and other rights assigned by the Authority to the Trustee in the granting clauses of the Indenture.

"Trust Indenture Act" means the federal Trust Indenture Act of 1939, as amended, and any successor thereto.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America.

"2003 Master Agreement" means the ISDA Master Agreement, together with the Schedule thereto, dated as of August 21, 2003, between the Corporation and the Swap Provider.

"Undelivered Bond" means any Bond which constitutes an undelivered bond under the provisions of the Indenture.

"Underwriter" means Citgroup Global Markets Inc.

"*United States Obligations"* means, for purposes of the Indenture, direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America, which obligations are noncallable.

"United States Government Obligations" means, for purposes of the Master Indenture, direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the United States of America.

"Unrestricted Net Assets" means, at the time of calculation, the part of net assets of a nonprofit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

"Weekly Interest Rate" means a variable interest rate for the Bonds established in accordance with the Indenture.

"Weekly Interest Rate Period" means each period during which a Weekly Interest Rate is in effect for the Bonds.

"Written Request" means with reference to a Related Issuer, a request in writing signed by the Chairman, Vice-Chairman, Mayor, Clerk, President, Vice President, Secretary or Assistant Secretary of the Related Issuer or any other officer designated by the Related Issuer and with reference to any Member means a request in writing signed by the President or a Vice President of any Member, or any other officers designated by such Member.

SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED MASTER INDENTURE

The Master Notes; Payment of Master Notes; Designated Affiliates

Each Member will duly and punctually pay the principal of, premium, if any, and interest on each Master Note executed by it at the place, on the dates, and in the manner provided in the Amended and Restated Master Indenture and in said Master Notes when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise, and any other payments due under each Master Note, including payments of the purchase price of any Related Bonds tendered or deemed tendered for purchase pursuant to the terms of the Related Indenture. Each Member unconditionally and irrevocably, jointly and severally guarantees and promises to pay any and all payments on all Master Notes when due. If for any reason any payment required pursuant to the terms of any Master Note has not been timely paid by the issuer thereof, all other Members shall be obligated under the Amended and Restated Master Indenture to make such payment. These agreements on the part of each Member shall be absolute and unconditional until such Member withdraws from the Obligated Group in which event they shall terminate only with respect to the withdrawing Members or until satisfaction and discharge of the Amended and Restated Master Indenture.

The Obligated Group Representative shall cause its Designated Affiliates to pay, loan or otherwise transfer to the Obligated Group Representative such moneys as are necessary, in the aggregate, to pay the principal of, premium, if any, and interest on all outstanding Master Notes and to make any other payments, including payments of the purchase price of any Master Notes tendered or deemed tendered for purchase pursuant to the terms of a Related Indenture, which are required by the terms of the Master Notes, on the dates, at the times, at the places and in the manner provided in the Master Notes, the related Supplemental Master Indentures and the Amended and Restated Master Indenture, when and as the same become due and payable, whether at maturity, upon call for prepayment, by acceleration of maturity or otherwise.

The Obligated Group Representative may designate any Person as a Designated Affiliate, and such Person shall thereafter be deemed a Designated Affiliate until such time as the Obligated Group Representative shall declare that such Person will no longer be a Designated Affiliate; *provided, however*, that the Obligated Group Representative may not declare that a Person shall no longer be a Designated Affiliate if an Event of Default, or an event which, with the passage of time or giving of notice or both, would constitute an Event of Default, shall have occurred and be continuing at the time of such declaration or shall directly result from any such declaration. With respect to each such Person which is (and so long as such Person is) designated as a Designated Affiliate, the Obligated Group Representative shall either (i) maintain, directly or indirectly, control of each Designated Affiliate, including the power to direct the management, policies, disposition of assets and actions of such Designated Affiliate to the extent required to cause such Designated Affiliate to comply with the terms and conditions of the Amended and Restated Master Indenture, whether through the ownership of voting securities, partnership interests, membership, reserved powers, the power to appoint members, trustees or directors or otherwise, or (ii) execute and have in effect such contracts or other agreements that the Obligated Group Representative in its sole judgment deems sufficient for it to cause such Designated Affiliate to comply with the terms and conditions of the Amended and Restated Master Indenture.

The Obligated Group Representative shall cause its Designated Affiliates to comply with the terms and conditions of the Amended and Restated Master Indenture which are applicable to the Designated Affiliates and the Related Loan Documents, if any, to which the Designated Affiliates are a party.

Notwithstanding anything to the contrary, no Person shall cease to be a Designated Affiliate if any outstanding Related Bonds have been issued for the benefit of such Person until there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the cessation by such Person of such status will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled.

The Obligated Group Representative shall at all times maintain an accurate and complete list of (i) all Persons that are Members of the Obligated Group and (ii) all Persons designated as Designated Affiliates, and shall, at such times as the Obligated Group Representative revises such list, provide the Master Trustee with such revised list. As of the effective date of the Amended and Restated Master Indenture, there are no Designated Affiliates.

Entrance into the Obligated Group

Any Person may become a Member of the Obligated Group if:

(a) all Members consent in writing;

(b) a Related Supplemental Indenture is executed by such Person in which such Person agrees to become a Member and to be jointly and severally liable with the other Members for the performance of all covenants contained in the Amended and Restated Master Indenture and in the Master Notes;

(c) the Master Trustee receives an opinion of counsel to such Person that nothing in its Corporate Charter or Bylaws or in any instrument or agreement to which it or its Property is bound restricts its ability to perform its obligations under the Amended and Restated Master Indenture;

(d) the Master Trustee receives an opinion of counsel to such Person to the effect that such Person has the corporate power and authority to execute and deliver the Related Supplemental Indenture and to perform its obligations under such instrument and to the effect that the Amended and Restated Master Indenture, as supplemented by the Related Supplemental Indenture, constitutes the valid and binding obligation of such Person, enforceable in accordance with its terms, except as limited by bankruptcy laws, insolvency laws and other similar laws affecting creditors' rights generally and further subject to the exception that the provisions of the Amended and Restated Master Indenture pursuant to which such Person guarantees the payment of any and all amounts due under the Master Notes of all Members may not be enforceable if payments or such guaranties: (i) are required with respect to payments of any Master Note which was issued for a purpose which is not consistent with the charitable purpose of such Person or which are issued for the benefit of any entity other than a not-for-profit corporation which is exempt from federal income taxes under Sections 501 (a) and 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code; (ii) are required to be made from any moneys or assets of such Person which are donor restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such payments; (iii) would result in a cessation or discontinuance of any material portion of the health care or related services previously provided by such Person; or (iv) are required to be made pursuant to any loan violating applicable usury laws; and

(e) the Master Trustee receives (A) an Officer's Certificate of the Obligated Group Representative which demonstrates that, immediately upon such Person becoming a Member, the Obligated Group would not, as a result of such transaction, be in default in the performance or observance of the covenants or conditions to be performed or observed by it under the Amended and Restated Master Indenture and the Credit Group could meet the Coverage Test (as defined in the Amended and Restated Master Indenture); (B) an opinion of Independent Counsel to the effect that the addition of such Person as a Member will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; and (C) with respect to any tax exempt Related Bonds then outstanding, an opinion of nationally recognized municipal bond counsel to the effect that the consummation of such transaction would not adversely affect the validity of or the exemption from federal or state income taxation of interest payable on any such Related Bond.

Upon compliance with the foregoing conditions, such Person shall become a Member of the Obligated Group and shall be jointly and severally liable for the performance of all covenants contained in the Amended and Restated Master Indenture and in the Master Notes. Upon entering the Obligated Group, the new Member shall execute such financing statements or take such other actions as the Master Trustee shall request to perfect the security interest created.

Cessation of Status as a Member of the Obligated Group

No Member may withdraw from the Obligated Group unless:

(a) the Master Trustee shall have received written consents of all Members;

(b) the Member proposing to withdraw is not a party to any Related Loan Document with respect to Related Bonds which remain outstanding and there are no Outstanding Master Notes executed by it unless the remaining Members assume the obligations on any such Outstanding Master Notes;

(c) prior to the cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or the exemption from federal or state income taxation of interest payable on any Related Bond otherwise entitled to such exemption;

(d) taking such withdrawal into account, the Credit Group could meet the Coverage Test;

(e) prior to the cessation of such status there is delivered to the Master Trustee an opinion of Independent Counsel to the effect that the cessation by such Member of such status will not adversely affect the status as a Tax-Exempt Organization of any other Member which otherwise has such status; and

(f) prior to and immediately after such cessation no Event of Default exists under the Amended and Restated Master Indenture.

Upon any such cessation in accordance with the foregoing described provisions, the Amended and Restated Master Indenture shall be amended to delete there from the description of the real property on which the Primary Facilities of such withdrawing Member were located.

Liens on Property

Each Member agrees that it will keep, and the Obligated Group Representative agrees that it will cause its Designated Affiliates to keep, its Property free and clear of all liens which are not Permitted Encumbrances.

Permitted Additional Indebtedness

So long as any Master Notes are outstanding, no Member of the Obligated Group will incur any Additional Indebtedness if an Event of Default (as defined in the Amended and Restated Master Indenture) has occurred and is continuing. Otherwise, a Member's ability to incur Additional Indebtedness is not limited by the Amended and Restated Master Indenture.

Rates and Charges

To the extent permitted by law, each Member agrees to operate its Facilities and to charge such fees and rates for its Facilities and services as to provide income from its operations together with other available funds sufficient to pay promptly all payments on its Indebtedness, all expenses of operation, maintenance and repair of the Property of the Member and all other payments required to be made by it under the Amended and Restated Master Indenture.

If the Coverage Test is not met for any Fiscal Year, the Members of the Obligated Group shall, at their expense, retain a Consultant to make recommendations with respect to the rates, fees and charges of the Credit Group and the Credit Group's methods of operation and other factors affecting its financial condition in order to meet the Coverage Test.

A copy of the Consultant's report and recommendations, if any, shall be filed with each of the Members and the Master Trustee. The Members shall, and the Obligated Group Representative shall cause each of its Designated Affiliates to, follow each recommendation of the Consultant to the extent deemed feasible by the Obligated Group

Representative. No default shall be deemed to occur under the provisions summarized under this heading if such recommendations are followed, notwithstanding that the Coverage Test is not met in a subsequent year, *provided* the Historical Debt Service Coverage Ratio of the Credit Group for the subsequent year in which the Coverage Test was not met was greater than or equal to 1.0:1. In determining whether such Historical Debt Service Coverage Ratio was greater than or equal to 1.0:1 as provided in the preceding sentence (and only for such purpose), the Revenues of the Credit Group shall include an additional amount equal to 10% of the sum of the cash and marketable securities of the Credit Group as reported on the financial statements which are the basis for the calculation of such Historical Debt Service Coverage Ratio, but such additional inclusion shall only be made for the first subsequent year in which such Coverage Test is not met. The provisions described in this paragraph shall not be construed to prohibit any Member or Designated Affiliate which is a Tax-Exempt Organization from serving indigent patients or from serving any other class or classes of patients without charge or at reduced rates to the extent necessary to preserve such status as a Tax-Exempt Organization.

The foregoing provisions notwithstanding, the Credit Group shall not be required to comply with the provisions summarized under this heading if: (A) there is filed with the Master Trustee a written opinion of a Consultant to the effect that applicable laws or regulations have prevented or have contributed significantly to preventing the Credit Group from meeting the Coverage Test and is accompanied by a concurring opinion of Independent Counsel as to any conclusions of law supporting the opinion of such Consultant; and (B) the Historical Debt Service Coverage Ratio was at least 1.0:1. The Obligated Group shall not be required to cause the Consultant's opinion to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years it provides to the Master Trustee an opinion of Independent Counsel to the effect that the applicable laws and regulations underlying the Consultant's opinion delivered in respect to the previous Fiscal Year have not changed in any material way.

Insurance

Each Member covenants to maintain, or cause to be maintained (and the Obligated Group Representative shall cause its Designated Affiliates to maintain or cause to be maintained), insurance with respect to its Property, the operation thereof and its business, or may self insure, against such casualties, contingencies and risks in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as, in the judgment of such Member, is adequate to protect its Property, operations and businesses. Each Member shall biannually review the insurance it maintains as to its customariness and adequacy. In addition, each Member shall at least once every Fiscal Year cause a certificate of an Insurance Consultant to be delivered to the Master Trustee which indicates that the insurance then being maintained by such Member is customary in the case of entities engaged in the same or similar activities and similarly situated, is reasonably adequate to protect such Member's Property and operations and meets the minimum requirements of applicable state law. The Obligated Group Representative shall cause its Designated Affiliates to comply with the provisions of this paragraph.

Merger, Consolidation, Sale or Conveyance

Excepting transactions solely among Members, each Member agrees that it will not merge into, or consolidate with, any corporation, allow any corporation to merge into it or sell or convey all or substantially all of its Property to any Person unless:

(i) the survivor is or becomes a Member;

(ii) no Event of Default has occurred and is continuing;

(iii) the Coverage Test is met; and

(iv) if all amounts due or to become due on all Related Bonds have not been fully paid or provided for, there shall be delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel acceptable to the Master Trustee to the effect that the consummation of such merger, consolidation, sale or conveyance, would not adversely affect the validity of or the exemption from federal income taxation of interest payable on such Related Bonds.

The Master Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section.

Except as may be expressly provided in any Supplemental Master Indenture, the ability of any of the Designated Affiliates to merge into, or consolidate with, one or more corporations, or allow one or more corporations to merge into it, or sell or convey all or substantially all of its Property to any Person is not limited by the provisions of the Amended and Restated Master Indenture. Notwithstanding anything to the contrary therein, no such Designated Affiliate shall engage in any merger or consolidation or any sale or conveyance of substantially all of its assets if any Related Bonds then outstanding have been issued for its benefit unless there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, such action will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled.

Springing Pledge of Revenues

While the Revenue Pledge Conditions are being met, the Obligated Group will grant to the Master Trustee a security interest in all of the Pledged Revenues. The Members shall, promptly upon the Revenue Pledge Conditions taking effect, take all actions necessary to perfect the lien of such security interest through the filing of UCC financing statements in the appropriate jurisdictions. Upon the Revenue Pledge Conditions ceasing for any reason to be in effect, the grant of such security interest shall cease to be in effect and the Master Trustee shall file UCC termination statements with respect to such security interests. The Revenue Pledge Conditions are not in effect on the date of closing and, accordingly, no security interest in Pledged Revenues will be granted upon issuance of the Bonds. The Bond Insurer for the 1998 Bonds may in its sole discretion waive the springing pledge of Pledged Revenues.

Other Covenants of the Members

Each Member covenants to, among other things, (a) pay all taxes, assessments and charges and comply with all present and future laws, rules, orders and regulations; *provided* that under certain circumstances such Member has the right and privilege to contest any of the foregoing; (b) maintain its Property in good condition, repair and working order, and from time to time make all necessary and proper repairs and replacements thereto as it judges necessary; (c) procure and maintain all necessary licenses and permits and maintain the status of its health care Facilities as a provider of services eligible for participation in those reimbursement programs which the Member determines is appropriate, except to the extent the Member shall determine in good faith that maintenance of such status is not in its best interest and that lack of such status will not materially impair the ability of the Obligated Group to pay its Indebtedness when due; and (d) file certain financial information periodically with the Master Trustee.

Defaults and Remedies

The following events are "events of default" under the Amended and Restated Master Indenture:

(a) the failure to pay when due the principal of, premium, if any, or interest on any Master Note, whether at maturity, by acceleration or otherwise (or the failure to pay when due any advance deposit with respect to payments on any Master Note required pursuant to the terms of any loan or other financing agreement); or

(b) failure of the Obligated Group to perform any other covenant, condition or provision contained in the Amended and Restated Master Indenture and to remedy such default within 30 days after written notice thereof from the Master Trustee to each Member unless it cannot be remedied within the 30-day period and the Master Trustee agrees in writing to an extension of time (which agreement shall not be unreasonably withheld) and the Obligated Group institutes corrective action within the period agreed upon and diligently pursues such action until the default is remedied; or

(c) if any representation or warranty made by any Member of the Obligated Group in any statement or certificate furnished in connection with the sale of any Master Note or Related Bonds or pursuant to the Amended and Restated Master Indenture is untrue when made in any material respect and shall not be made good within 30 days after written notice thereof to each Member by the Master Trustee; or

(d) if default shall occur in the payment of the principal of or interest on any Indebtedness of any Member for borrowed money, or if default shall occur under any mortgage, agreement or other instrument under or pursuant to which Indebtedness of a Member is issued with the result that such Indebtedness becomes due and payable prior to its expressed maturity; or

(e) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member or Designated Affiliate or its Property and remains unvacated, unpaid, unbonded or unstayed for 90 days; *provided*, *however*, that no such event shall constitute an Event of Default within the meaning of this paragraph unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds 1 % of the Unrestricted Net Assets of the Credit Group as shown on or derived from the then latest available audited financial statements of the Credit Group; or

(f) if any Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee or receiver for it or for a major part of its Property; or if a trustee or receiver is appointed for any Member or for a major part of its Property and is not discharged within 30 days; or if bankruptcy, reorganization, arrangement, insolvency or liquidation or other proceedings for relief under any bankruptcy or similar law for the relief of debtors are instituted by or against any Member and if instituted against such Member are not dismissed within 30 days; *provided*, *however*, that no event described in this paragraph shall constitute an Event of Default if, within 15 days after the Obligated Group Representative has received written notice from the Master Trustee that such event has occurred, there shall have been deposited with the Master Trustee either (i) sufficient moneys to provide for the payment in full of all outstanding Indebtedness of such Member other than its Master Notes or (ii) if acceptable to the Master Trustee in its sole discretion, and then only under such terms and conditions as it shall prescribe, one or more Master Notes executed by another Member in substitution for all such outstanding Indebtedness of the defaulting Member.

Upon the occurrence and continuance of an Event of Default the Master Trustee may, and if requested by the holders of not less than 25% in aggregate principal amount of all Master Notes then Outstanding, the Master Trustee shall, by notice in writing to each Member declare the principal of all Master Notes to be due and payable immediately, and upon any such declaration the same, with interest thereon to the date of declaration, shall be immediately due and payable.

The principal of all Outstanding Master Notes shall also become immediately due and payable, with interest thereon to the date of declaration, upon any declaration of acceleration by a Related Trustee of the principal of any Related Bond ipso facto and without the necessity of any action by the Master Trustee.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal of all Master Notes shall have been declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Obligated Group shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all such Master Notes and principal and premium, if any, of all such Master Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law, and on such principal and premium, if any, at the rate borne by such Master Notes to the date of such payment or deposit) and the expenses of the Master Trustee, and any and all Events of Default, shall have been remedied the holders of 51% in aggregate principal amount of all Master Notes then Outstanding by written notice to each Member and to the Master Trustee, may waive all Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default, or shall impair any right consequent thereon.

Supplemental Master Indentures

The Members and the Master Trustee may enter into an indenture supplemental thereto without the consent of the Master Note Holders for one or more of the following purposes: (a) to evidence the admission or withdrawal of a Member; (b) to add to the covenants of the Obligated Group such further covenants, restrictions or conditions as the Master Trustee shall consider to be for the protection of the holders of Master Notes; (c) to cure any ambiguity or to correct or supplement any provision contained in the Amended and Restated Master Indenture which may be defective or inconsistent with any other provision contained in the Amended and Restated Master Indenture, or to make such other provisions in regard to matters or questions arising under the Amended and Restated Master Indenture as shall not be inconsistent with the Amended and Restated Master Indenture and shall not adversely affect the interests of the holders of Master Notes; (d) to modify or supplement the Amended and Restated Master Indenture in such manner as may be necessary or appropriate to qualify the Amended and Restated Master Indenture under the Indenture Act of 1939, or under any similar federal or state statute hereafter enacted; (e) to provide for the issuance of a new Series of Master Notes; and (f) to amend the Amended and Restated Master Indenture in any other respect which, in the judgment of the Master Trustee, is not to the detriment of the holders of the Master Notes.

With the consent of the holders of not less than 51% in aggregate principal amount of Master Notes then Outstanding, the Obligated Group and the Master Trustee may enter into indentures supplemental to the Amended and Restated Master Indenture for any purpose; *provided*, *however*, that no such supplemental indenture shall (i) effect a change in the times, amounts or currency of payment of any Master Note or a reduction in the principal amount or redemption price of any Master Note or the rate of interest thereon, (ii) reduce the aforesaid percentage of Master Notes, the holders of which are required to consent to any such supplemental indenture, or (iii) permit the preference or priority of any Master Note over another, without the consent of the holders of all Master Notes then Outstanding.

Substitution of Master Notes

All Master Notes issued pursuant to the Master Indenture shall, upon the request of the Corporation and the satisfaction of all terms and conditions set forth under the Master Indenture, be substituted with an original replacement note or notes or similar obligation issued by any Member (the "*Substitute Master Notes*") under and pursuant to and secured by a master trust indenture (the "*Replacement Master Indenture*") executed by all then current Members of the Obligated Group and any other entities which are parties to and obligated with respect to indebtedness issued under such Replacement Master Indenture (collectively, the "*New Group*") and an independent corporate trustee (the "*New Trustee*") meeting the eligibility requirements of the Master Trustee as set forth in the Amended and Restated Master Indenture, which Substitute Master Notes have been duly authenticated by the New Trustee, upon receipt of the Master Trustee of the following:

(a) an opinion of nationally recognized bond counsel to the effect that the surrender of the Notes and the acceptance by the Master Trustee of the Substitute Master Notes will not adversely affect the validity of the Related Bonds or any exemption for the purposes of federal income taxation to which interest on any Master Notes or any Related Bonds would otherwise be entitled;

(b) an executed counterpart of the Replacement Master Indenture;

(c) an opinion of Independent Counsel to the Members addressed to the Master Trustee to the effect that:

(i) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, each Substitute Master Note has been duly authorized, executed and delivered by a Member and each of the Replacement Master Indenture and each Substitute Master Note is a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity;

(ii) all requirements and conditions to the issuance of the Substitute Master Notes set forth in the Replacement Master Indenture have been complied with and satisfied; and

(iii) registration of the Substitute Master Notes under the Securities Act of 1933, as amended, is not required or, if such registration is required, the New Group has complied with all applicable provisions of said Act;

(d) a certificate of the Obligated Group Representative is delivered to the Master Trustee stating that the New Group, considered as a pro forma consolidated or combined group for purposes of the Amended and Restated Master Indenture, with the elimination of material inter-company balances and transactions, would after giving effect to such Substitute Master Notes and assuming that the New Group constituted the Obligated Group under the Amended and Restated Master Indenture and that the Substitute Master Notes were issued under the Amended and Restated Master Indenture (i) meet the Coverage Test and (ii) not be in breach of or default under the Amended and Restated Master Indenture or any Related Loan Document;

(e) the Replacement Master Indenture containing (i) the agreement of each member of the New Group (A) to become a member of the New Group and thereby to become subject to compliance with all provisions of the Replacement Master Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a member of the New Group pursuant to the terms and conditions of the Replacement Master Indenture) to jointly and severally make payments upon each note and obligation, including the Substitute Master Notes, issued under the Replacement Master Indentures at the times and in the amounts provided in each such note or obligation, and (ii) representations and warranties of the members of the New Group not materially less restrictive than those set forth in the Amended and Restated Master Indenture;

(f) the written consent of the Bond Insurer; and

(g) either

(i) the Replacement Master Indenture containing terms, covenants and provisions no less restrictive than those contained in the Amended and Restated Master Indenture pertaining to substitution of Master Notes, financial and other covenants, events of default, supplements and amendments not creating a new series of Master Notes and admission to and withdrawal from the Obligated Group, except for (A) such differences as in the judgment of the Master Trustee are not to the prejudice of the holders of the Master Notes and (B) such other differences as the Master Trustee shall determine are necessary for the benefit of the holders of the notes and obligations, including the Substitute Master Notes, issued under the Replacement Master Indenture, and any additional rights, remedies, powers or authority or additions to the covenants of the New Group or assignments and pledges of additional revenues, properties and collateral under the Replacement Master Indenture for the benefit of such holders; or

(ii) written confirmation from each rating service then rating any Outstanding Related Bonds that, upon consummation of the proposed transactions, the ratings on such Related Bonds (without regard to any credit enhancement of the Related Bonds) will not be lower as a result of the entry into the Replacement Master Indenture and the issuance of the Substitute Master Notes; provided, however, that if, prior to the consummation of the proposed transactions, any Outstanding Related Bonds are not then rated by any rating service, such a rating shall be obtained, which rating, as evidenced by the written confirmation of such rating service, will not be lower as a result of the entry into the Replacement Master Indenture and the issuance of the Substitute Master Notes; and

(h) such other opinions and certificates as the Master Trustee may reasonably require, together with such reasonable indemnities as the Master Trustee may request.

Credit Enhancement Providers Deemed Bondholders for Purposes of Consents and Supplements

With respect to any series of Related Bonds which is backed by a credit enhancement device which insures, guarantees or otherwise supports the payment of all of the principal, premium and interest on such series of Related Bonds, the issuer of such credit enhancement device shall be deemed to be the holder of all of such series of Related Bonds for purposes of giving consents to supplements of or amendments to the Master Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

Any reference in the Indenture summary to the Obligors, the Authority or the Trustee will include those Persons which succeed to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions. Any reference in the Indenture summary to any statute or law or chapter or section thereof shall include all amendments, supplements or successor provisions thereto.

Defeasance of Lien

The lien created by the Indenture will terminate when the Authority has paid or has been deemed to have paid the holders of all of the Bonds the principal and interest and premium, if any, due or to become due thereon at the times and in the manner stipulated in the Indenture, all Reimbursement Amounts have been paid to the Bond Insurer, and all other obligations owing to the Trustee under the Indenture or the Loan Agreement have been paid or provided for.

Outstanding Bonds shall be deemed to have been paid within the meaning of the Indenture if the Trustee will have paid to the holders of such Bonds, or shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Bonds, moneys sufficient for the payment of all principal of and interest and premium, if any, on such Bonds to the date of maturity or redemption, as the case may be; provided, that if any of such Bonds are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Trustee, the Obligated Group Representative and the Authority shall have received an opinion of Bond Counsel that such payment and the holding thereof by the Trustee shall not in and of itself cause interest on the Bonds to be included in gross income for federal income tax purposes; and provided, further, that if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given to the Bondholders and the Obligated Group Representative or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice; and provided, further, that Bonds paid by payments made under the Policy shall be deemed to be Outstanding Bonds until the Bond Insurer is paid all Reimbursement Amounts.

Outstanding Bonds also shall be deemed to have been paid if the Trustee shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Bonds cash or Defeasance Securities the payments on which when due, without reinvestment, will provide moneys which, together with moneys, if any, so held and so committed, shall be sufficient for the payments of all principal of and interest and premium, if any, on such Bonds to the date of maturity or redemption, as the case may be; provided, that if any of such Bonds are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Trustee, the Authority, the Obligated Group Representative and the Bond Insurer shall have received (i) an opinion of Bond Counsel that upon the creation of such escrow, such Bonds would no longer be Outstanding under the Indenture, (ii) an escrow deposit agreement, (iii) a certificate of discharge of the Trustee with respect to the Bonds, and (iv) a report in form and substance acceptable to the Bond Insurer, the Trustee and the Obligated Group Representative of a firm of certified public accountants acceptable to the Bond Insurer, the Trustee and the Obligated Group Representative verifying that the payments on such Defeasance Securities, if paid when due and without reinvestment, will, together with any moneys so deposited, be sufficient for the payment of all principal of and interest and premium, if any, on such Bonds to the date of maturity or redemption, as the case may be; and provided further that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been duly given or irrevocable provision satisfactory to the Trustee will have been duly made for the giving of such notice. The Bond Insurer shall be provided with final drafts of such documents not less than five business days prior to the date of the proposed defeasance.

Any moneys held by the Trustee in the manner provided by the provisions of the Indenture regarding defeasance of the lien will be invested by the Trustee in the manner provided by the Indenture. The making of any such investments or the sale or other liquidation thereof will not be subject to the control of the Authority or the Obligors, and the Trustee will have no responsibility for any losses resulting from such investment. Any income or interest earned by, or increment to, such investment, to the extent determined from time to time by the Trustee to be in excess of the amount required to be held by it for the purposes of the Indenture, shall be paid first to the Trustee and then to the Authority to the extent necessary to repay any unpaid obligations owing to the Trustee and/or the Authority under the Indenture or under the Loan Agreement, and then to the Bond Insurer to the extent necessary to

pay any Reimbursement Amounts owing to the Bond Insurer, and thereafter any remainder shall be paid to the Obligors.

After all Outstanding Bonds shall have been deemed to have been paid and all other amounts required to be paid under the Indenture shall have been paid, then upon the termination of the Indenture any amounts in the Project Fund and the Bond Fund shall be paid first to the Trustee and then to the Authority to the extent necessary to repay any unpaid obligations owing to the Trustee and/or the Authority under the Indenture or under the Loan Agreement, and then to the Bond Insurer to the extent necessary to pay any Reimbursement Amounts owing to the Bond Insurer, and thereafter the remainder, if any, shall be paid to the Obligors.

The Bonds

Interest and Payment Terms of Bonds other than ARS. Except as provided in the provisions of the Indenture with respect to ARS and Bank Bonds, the interest rate and Interest Rate Period on and for each series of Bonds may be adjusted as set forth in the Indenture. Except while a particular series of Bonds bears interest at Bond Interest Term Rates, all Bonds of the same series shall bear the same interest rate for the same Interest Rate Period. Except as provided in the provisions of the Indenture with respect to ARS, no Bond shall bear interest in excess of the Maximum Bond Interest Rate, except that the interest rate paid by the Corporation on Bank Bonds pursuant to any Liquidity Facility or agreement providing for a Liquidity Facility shall not exceed the Maximum Bank Bond Interest Rate.

Interest on a particular series of Bonds shall be paid on each Interest Payment Date and redemption date and on the Maturity Date therefor. Except during a Long Term Interest Rate Period, interest on a particular series of Bonds shall accrue on the basis of the actual number of days elapsed during the Interest Rate Period and a year of 365 days (366 days in a leap year). Interest on each Bond bearing interest at a Long-Term Interest Rate shall accrue on the basis of a 360 day year based on twelve 30 day months.

Each Bond shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof or, if such date of authentication is an Interest Accrual Date to which interest on such Bonds has been paid in full or duly provided for, from such date of authentication or, if it is the first payment of interest on such series of Bonds, the date thereof. If interest on the Bonds is in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds so surrendered or, if no interest has been paid on such Bonds, from the date thereof.

For any Daily Interest Rate Period, interest on the Bonds of a series bearing interest at a Daily Interest Rate shall be payable on each Interest Payment Date for the period commencing on the Interest Accrual Date preceding the prior Interest Payment Date and ending on the last day of such month. For any Weekly Interest Rate Period, interest on the Bonds subject thereto shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday, commencing on and including the second preceding Interest Accrual Date) and ending on and including the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period).

For any Short-Term Interest Rate Period or Long-Term Interest Rate Period, interest on the Bonds of a series bearing interest at a Bond Term Interest Rate or a Long-Term Interest Rate shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on each series of Bonds shall be payable for the final Interest Rate Period to the date on which such series of Bonds has been paid in full.

Except when the Bonds are ARS, the terms of the Bonds shall be divided into consecutive Interest Rate Periods during each of which the Bonds shall bear interest at the Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates or Long-Term Interest Rate. However, at any given time, all Bonds other than ARS shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate or at Bond Interest Term Rates.

Weekly Interest Rate and Weekly Interest Rate Period

Determination of Weekly Interest Rate. During each Weekly Interest Rate Period, the Bonds of a series bearing interest at a Weekly Interest Rate shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent as described in the Indenture. Each Weekly Interest Rate with respect to the Bonds shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell all of the Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to the Bonds of such series bearing interest at such rate, then the Weekly Interest Rate for such week with respect to such Bonds of such series bearing interest at such rate shall be the same as the immediately preceding Weekly Interest Rate if such Weekly Interest Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Interest Rate was not determined by the Remarketing Agent, or if the Weekly Interest Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the BMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period.

Daily Interest Rate and Daily Interest Rate Period

Determination of Daily Interest Rate. During each Daily Interest Rate Period, the Bonds of a series bearing interest at the Daily Interest Rate shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent on each Business Day for such Business Day. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) on or before 9:30 a.m. on a Business Day to be the minimum interest rate which, if borne by the Bonds of such series, would enable the Remarketing Agent to sell all of the Bonds of such series on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof. The Daily Interest Rate for any day which is not a Business Day shall be the same as the Daily Interest Rate for the immediately preceding Business Day.

If for any reason a Daily Interest Rate for the Bonds of such series is not so established for any Business Day by the Remarketing Agent, the Daily Interest Rate for such Business Day shall be the same as the Daily Interest Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which the Remarketing Agent determines a new Daily Interest Rate or (B) the seventh day succeeding the first such day on which such Daily Interest Rate is not determined by the Remarketing Agent. In the event that the Daily Interest Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Interest Rate for a period of seven days as described in clause (B) of the immediately preceding sentence, the interest rate applicable to the Bonds of such series, as determined by the Remarketing Agent, shall be the interest rate per annum equal to 110% of the BMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Interest Rate is again validly determined by such Remarketing Agent.

Long Term Interest Rate and Long Term Interest Rate Period

Determination of Long Term Interest Rate. During each Long Term Interest Rate Period, the Bonds of a series bearing interest at a Long-Term Interest Rate shall bear interest at a Long Term Interest Rate. The Long Term Interest Rate for each Long-Term Interest Period shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long Term Interest Rate Period. The Long Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate at which the Remarketing Agent will agree to purchase such Bonds of such series on such effective date for resale at a price (without regard to accrued interest) equal to the principal amount thereof.

Conversion to Long Term Interest Rate. Subject to the provisions of the Indenture concerning Conversion of Interest Rate Periods, the Obligated Group Representative on behalf of the Authority, by written direction to the Authority, the Trustee, the Tender Agent, the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any), may elect that the Bonds of such series shall bear, or continue to bear, interest at a Long Term Interest Rate. The direction of the Obligated Group Representative shall be accompanied by a form of the notice to be mailed by Trustee to the holders of the Bonds. During a Long Term Interest Rate Period, the interest rate on the Bonds of such series shall be a Long Term Interest Rate.

If, by the second Business Day preceding the 29th day prior to the last day of any Long Term Interest Rate Period with respect to the Bonds, the Trustee has not received notice of the Obligated Group Representative's election that, during the next succeeding Interest Rate Period, such Bonds of such series shall bear interest at a Weekly Interest Rate, a Daily Interest Rate, the Applicable ARS Rate or another Long Term Interest Rate or at Bond Interest Term Rates, the next succeeding Interest Rate Period shall be a Weekly Interest Rate Period until such time as the interest rate on the Bonds shall be adjusted to a Daily Interest Rate or Long Term Interest Rate or Bond Interest Term Rates or the Applicable ARS Rate as provided in the Indenture, and the Bonds shall be subject to mandatory purchase as provided in the Indenture on the first day of such Weekly Interest Rate Period.

Conversion from Long Term Interest Rate Period. Subject to the provisions of the Indenture concerning Conversion of Interest Rate Periods, the Obligated Group Representative on behalf of the Authority may elect by written direction to the Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any) and the Remarketing Agent (if any), that, on the day immediately following the last day of a Long Term Interest Rate Period or a day on which the Bonds of such series would otherwise be subject to optional redemption pursuant to the Indenture, the Bonds of such series shall no longer bear interest at the current Long Term Interest Rate and shall instead bear interest at a Weekly Interest Rate, a Daily Interest Rate, Bond Interest Term Rates, the Applicable ARS Rate or a new Long Term Interest Rate, as specified in such election.

Bond Interest Term Rates and Short Term Interest Rate Periods

Determination of Bond Interest Terms and Bond Interest Term Rates. During each Short Term Interest Rate Period, each Bond of a series bearing interest at a Bond Interest Term Rate shall bear interest during each Bond Interest Term at the Bond Interest Term Rate for that Bond. The Bond Interest Term and the Bond Interest Term Rate for each Bond need not be the same for any two Bonds, even if determined on the same date. Each Bond Interest Term and Bond Interest Term Rate shall be determined by the Remarketing Agent as provided in the Indenture no later than the first day of each Bond Interest Term. Each Bond Interest Term shall be a period of not more than 180 days, determined by the Remarketing Agent in its reasonable judgment to be the period which, together with all other Bond Interest Terms for all Bonds of a series bearing interest on a Bond Interest Term Rate then outstanding, will result in the lowest overall interest expense on such Bonds. The number of days in any Bond Interest Term shall not exceed the number of days of interest coverage provided under the applicable Liquidity Facility less five days and no Bond Interest Term shall end after the date which is five Business Days prior to the expiration date of the Liquidity Facility.

If for any reason a Bond Interest Term for any Bond bearing interest at Bond Interest Term Rates cannot be determined by the Remarketing Agent, or if the determination of such Bond Interest Term is held by a court of law to be invalid or unenforceable, then such Bond Interest Term shall be 30 days, but if the day so determined is not a day immediately preceding a Business Day, that Bond Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, the Bond Interest Term shall end on the day immediately preceding such Maturity Date.

The Bond Interest Term Rate for each Bond Interest Term for each Bond in a Short Term Interest Rate Period shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by such Bond for such Bond Interest Term, would enable the Remarketing Agent to sell such Bond on the effective date of such Bond Interest Term at a price equal to the principal amount thereof.

If for any reason a Bond Interest Term Rate for any Bonds in a Short Term Interest Rate Period (other than a Bank Bond) is not established by the Remarketing Agent for any Bond Interest Term, or the determination of such

Bond Interest Term Rate is held by a court of law to be invalid or unenforceable, then the Bond Interest Term Rate for such Bond Interest Term, as determined by the Remarketing Agent, shall be the rate per annum equal to 85% of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported on the first day of such Bond Interest Term and which maturity most nearly equals the Bond Interest Term for which a Bond Interest Term Rate is being calculated.

Determinations of Remarketing Agent Binding

The determination for a particular series of Bonds of the Daily Interest Rate, Weekly Interest Rate and Long-term Interest Rate and each Bond Interest Term and Bond Interest Term Rate by the Remarketing Agent shall be conclusive and binding upon the Obligors, the Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Facility Provider and the Bondholders.

Bank Bonds

The Bank Bonds shall bear interest at the Bank Bond Rate for the period commencing from the date that the Liquidity Provider shall have purchased such Bonds and, subject to the terms of the Indenture, continuing until the Liquidity Provider (or a purchaser from the Liquidity Provider other than a purchaser which purchased such Bonds through the Remarketing Agent) shall no longer be the owner of such Bonds; and such interest shall accrue and be payable on any Interest Payment Date for Bank Bonds.

Rescission of Election to Convert Interest Rate

Notwithstanding anything in the Indenture, in connection with any Conversion of the Interest Rate Period for such series of Bonds, the Obligated Group Representative shall have the right to deliver to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Facility Provider (if any), the Authority, the Bond Insurer, the Auction Agent (if any) and the Broker-Dealer (if any) on or prior to 10:00 a.m. on the second Business Day preceding the effective date of any such Conversion a notice to the effect that the Obligated Group Representative on behalf of the Authority elects to rescind its election to make such Conversion. If the Obligated Group Representative rescinds its election to make such Conversion, then the Bonds shall bear interest at a Weekly Interest Rate, commencing on the date which would have been the effective date of the Conversion; provided, however, that if the Bonds were in a Daily Interest Rate Period immediately prior to such proposed Conversion, then the Bonds shall continue to bear interest at the Daily Interest Rate as in effect immediately prior to such proposed Conversion and if the Bonds were ARS immediately prior to such proposed Conversion, then the Bonds shall continue to bear interest at the ARS Interest Period as in effect immediately prior to such proposed Conversion. In any event, if notice of a Conversion has been mailed to the holders of the Bonds of such series as provided in the Indenture and the Obligated Group Representative rescinds its election to make such Conversion, then the Bonds of such series (except ARS) shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Indenture.

Additional Conditions; Failure to Meet Conditions

No Conversion from one Interest Rate Period to another shall take effect unless each of the conditions specified in the Indenture, to the extent applicable, shall have been satisfied. In the event that any condition to the Conversion of a series of Bonds shall not have been satisfied, then such series of Bonds shall bear interest at a Weekly Interest Rate, commencing on the date which would have been the effective date of the Conversion; provided, however, that if such series of Bonds were ARS immediately prior to such proposed Conversion, then such series of Bonds shall remain ARS and shall bear interest at the ARS Maximum Rate for the immediately ensuing ARS Interest Period, and such series of Bonds (except ARS) shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Indenture. Under certain conditions described in the Indenture, the Obligated Group Representative will be required to exercise its option to convert a series of Bonds from one Interest Rate Period to another Interest Rate Period. Any Conversion from one Interest Rate Period to another which alters the amortization schedule for such series of Bonds shall require the consent of the Bond Insurer.

Purchase of Bonds

During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Bond (other than a Bank Bond) bearing interest at a Weekly Interest Rate shall be purchased in an Authorized Denomination (provided that the amount of any such Bond not to be purchased shall also be in an Authorized Denomination) from its Bondholder at the option of the Bondholder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of Bonds and to the Trustee at its Principal Office and to the Remarketing Agent of an irrevocable written notice which states the principal amount of such Bonds, the principal amount thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day after the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m. shall be deemed to have been received on the next succeeding Business Day. Bank Bonds may not be tendered for purchase at the option of the holder thereof. For payment of the Tender Price on the Tender Date, such Bond must be delivered at or prior to 10:00 a.m. on the Tender Date to the Tender Agent at its Principal Office for delivery of Bonds accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Bondholder or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company, or member firm of the New York Stock Exchange.

During any Weekly Interest Rate Period for which the book-entry-only system is in effect, any Bonds bearing interest at the Weekly Interest Rate or portion thereof shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Bond to the Tender Agent at its Principal Office for the delivery of such Bonds, to the Trustee at its Principal Office and to the Remarketing Agent. That notice shall state the principal amount of such Bond (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven days after the date of delivery of such notice to the Trustee. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Bonds at least equal to the amount of Bonds specified in such irrevocable written notice, payment of the Tender Price of such Bonds shall be made by 3:00 p.m., or as soon as practicably possible thereafter, upon the receipt by the Trustee of the Tender Price as set forth in the Indenture on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Bonds tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 10:00 a.m., on the date specified in such notice.

During Daily Interest Rate Period. During any Daily Interest Rate Period, any Bond (other than a Bank Bond) bearing interest at a Daily Interest Rate shall be purchased in an Authorized Denomination (provided that the amount of any such Bond not to be purchased shall also be in an Authorized Denomination) from its Bondholder at the option of the Bondholder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of Bonds, to the Trustee at its Principal Office and to the Remarketing Agent, by no later than 11:00 a.m. on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by telecopy or other writing, which states the principal amount of such Bonds to be purchased and the date of purchase. For payment of such purchase price on the date specified in such notice, such Bonds must be delivered, at or prior to 12:00 noon, on such Business Day, to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Bondholder thereof or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

During any Daily Interest Rate Period for which the book entry only system is in effect, any Bond bearing interest at the Daily Interest Rate or portion thereof shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Bond to the Tender Agent at its Principal Office for the delivery of such Bonds, to the Trustee at its Principal Office and to the Remarketing Agent prior to 11:00 a.m. That notice shall state the principal amount of such Bonds (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Bonds at least equal to the amount of Bonds specified in such irrevocable written notice, payment of the Tender Price of such Bond shall be made by 3:00 p.m., or as soon as practicably possible

thereafter, upon the receipt by the Trustee of the Tender Price as set forth in the Indenture on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Bonds tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 1:30 p.m. on the date specified in such notice.

Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each Bond Interest Term. On the first day following the last day of each Bond Interest Term, unless such day is the first day of a new Interest Rate Period, in which case a Bond shall be subject to mandatory tender for purchase at the Tender Price, payable by wire transfer in immediately available funds, if such Bond is delivered to the Tender Agent on or prior to 12:00 noon on the Tender Date, or if delivered after 12:00 noon, on the next succeeding Business Day. Interest shall cease to accrue on such Bonds on the last day of each Bond Interest Term. The Tender Price shall be payable only upon surrender of such Bonds to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had one of the events specified in the provisions of the Indenture pertaining to "Rescission of Election" or "Failure to Meet Conditions" not occurred which resulted in the interest rate on such Bonds not being converted) at the Tender Price, payable in immediately available funds; provided, however, that in the case of any failed Conversion of ARS, no mandatory purchase shall apply. For payment of the Tender Price on the Tender Date, a Bond must be delivered at or prior to 10:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day.

Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility; Mandatory Standby Tender. If at any time the Trustee gives notice that the Tender Price on the Bonds tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to the Liquidity Facility then in effect as a result of (i) the termination, replacement or expiration of the term, as extended, of that Liquidity Facility, including but not limited to termination at the option of the Obligated Group Representative in accordance with the terms of such Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then each such Bond shall be purchased or deemed purchased at the Tender Price. Any purchase of such Bonds pursuant to these provisions shall occur: (1) on the fifth Business Day preceding any such expiration or termination of such Liquidity Facility without replacement by an Alternate Liquidity Facility or upon any termination thereof as a result of a Mandatory Standby Tender, and (2) on the date of the replacement of a Liquidity Facility, in any case where an Alternate Liquidity Facility has been delivered to the Tender Agent. In the case of any replacement, the existing Liquidity Facility will be drawn to pay Tender Price rather than the Alternate Liquidity Facility. No such mandatory tender will be effected upon the replacement of a Liquidity Facility in the case where the Liquidity Facility is failing to honor conforming draws.

Payment of the Tender Price of any such Bonds shall be made in immediately available funds by 3:00 p.m. on the Tender Date upon delivery of such Bonds to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder with the signature of such Bondholder guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 12:00 noon on the Tender Date specified in the Indenture. If, as a result of any such Mandatory Standby Tender, expiration, termination with notice or replacement of such a Liquidity Facility, any Bond is no longer subject to purchase pursuant to a Liquidity Facility, the Tender Agent (upon receipt from the holder thereof in exchange for payment of the Tender Price thereof) shall present such Bond to the Trustee for notation of such fact thereon.

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of Bonds, the Trustee shall give the notice required by the Indenture.

Irrevocable Notice Deemed to be Tender of Bond; Undelivered Bonds

The giving of notice by a holder of Bonds as provided in the Indenture shall constitute the irrevocable tender for purchase of each Bond with respect to which such notice is given regardless of whether that Bond is delivered to the Tender Agent for purchase on the relevant Tender Date.

The Tender Agent may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided. Such refusal shall not affect the validity of the purchase of such Bond as described in the Indenture. If any holder of a Bond who has given notice of tender of purchase pursuant to the Indenture or any holder of a Bond subject to mandatory tender for purchase pursuant to the Indenture, shall fail to deliver that Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver that Bond properly endorsed, that Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (A) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Indenture; (B) interest shall no longer accrue on the Undelivered Bond; and (C) funds in the amount of the Tender Price of the Undelivered Bond shall be held uninvested by the Trustee for the benefit of the holder thereof (provided that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Principal Office for delivery of Bonds.

Payment of Tender Price by Corporation

If all or a portion of the Bonds tendered for purchase cannot be remarketed and the Liquidity Facility Provider fails to purchase all or any part of the unremarketed portion of such tendered Bonds in accordance with the Liquidity Facility on a Tender Date, the Obligors may at their option, but shall not be obligated to, pay to the Tender Agent as soon as practicable on a Tender Date immediately available funds (together with any remarketing proceeds and any funds provided under the Liquidity Facility) sufficient to pay the Tender Price on the Bonds tendered for purchase. The Tender Agent shall deposit the amount paid by the Obligors, if any, in the Obligor Purchase Account, of the Bond Purchase Fund pending application of the money to the payment of the Tender Price as set forth in the Indenture.

Liquidity Facility

A Liquidity Facility, in an amount equal to the sum of outstanding principal and interest calculated at the Maximum Bond Interest Rate for an Interest Rate Period, plus five days, or such other amount as may be approved by the Bond Insurer and the Rating Agencies then rating the Bonds, shall be maintained by the Obligors for Bonds bearing interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates and, if and to the extent that the Obligated Group Representative shall elect, for Bonds bearing interest at the Long-Term Interest Rate. No Liquidity Facility or Alternate Liquidity Facility may be delivered without the prior written consent of the Bond Insurer.

Requests to Pay Tender Price. If there is not a sufficient amount of money available to pay the Tender Price pursuant to the Tender Agent Agreement and the Indenture on a Tender Date on which Bonds are required to be purchased, the Tender Agent shall make a Request or Requests under the Liquidity Facility in accordance with its terms, at the times and in the manner required by the Tender Agent Agreement to receive immediately available funds on the Tender Date sufficient to pay the balance of the Tender Price. The Tender Agent will deposit the proceeds of such Requests in the Liquidity Facility Purchase Account pursuant to the Indenture and the Tender Agent Agreement pending application of that money to the payment of the Tender Price. In determining the amount of the Tender Price then due, the Tender Agent shall not take into consideration any Bank Bonds or Obligor Bonds. No Requests shall be made under a Liquidity Facility to pay the Tender Price of Bank Bonds or of Bonds which are registered in the name of the Obligors or, to the best knowledge of the Tender Agent, or any nominees for (or any Person who owns such Bonds for the sole benefit of) any of the foregoing. Bank Bonds and Obligor Bonds may not be tendered for purchase at the option of the Liquidity Facility Provider or the Obligors, respectively.

Surrender of Liquidity Facility. If an Alternate Liquidity Facility is delivered to the Tender Agent pursuant to the Indenture, then the Tender Agent shall accept the Alternate Liquidity Facility and surrender the Liquidity

Facility previously held for cancellation, provided that no Liquidity Facility shall be surrendered until after the date on which Bonds required to be purchased as a result of termination, replacement, expiration, or the occurrence of a Mandatory Standby Tender, have been purchased or deemed purchased in accordance with the Indenture. If a Liquidity Facility automatically terminates or is no longer required to be maintained under the Indenture, the Tender Agent shall surrender such Liquidity Facility to the issuer thereof for cancellation in accordance with the terms of the Liquidity Facility. Upon defeasance of the Bonds and if, at such time, the Bonds are no longer subject to tender for purchase, the Tender Agent shall surrender the Liquidity Facility, if any, to the Liquidity Facility Provider for cancellation in accordance with the terms of that Liquidity Facility. The Tender Agent shall comply with the procedures set forth in each Liquidity Facility relating to the termination thereof and shall deliver any certificates reducing the stated amount of the Liquidity Facility in accordance with the provisions thereof.

Alternate Liquidity Facility

Delivery by Obligated Group Representative. Prior to the expiration or termination of a Liquidity Facility relating to the Bonds, in accordance with the terms of that Liquidity Facility and upon the written consent of the Bond Insurer, the Obligated Group Representative may provide for the delivery to the Tender Agent of an Alternate Liquidity Facility which has a term of at least 364 days. Any Alternate Liquidity Facility delivered to the Tender Agent shall contain administrative provisions reasonably acceptable to the Tender Agent, the Remarketing Agent and the Bond Insurer. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the Obligated Group Representative shall furnish to the Tender Agent the documents specified in the Indenture.

Delivery upon Rating Downgrade. In the event that the Liquidity Facility Provider is downgraded below "A-1" by S&P or "VMIG-1" by Moody's, to the extent such Rating Agency is then rating the Liquidity Facility Provider, the Obligated Group Representative shall provide for delivery of an Alternate Liquidity Facility acceptable to the Bond Insurer; provided the Bond Insurer may waive this provision in its discretion.

Acceptance by Tender Agent. If at any time there is delivered to the Tender Agent (i) an Alternate Liquidity Facility covering all of the Bonds bearing interest at the Weekly Interest Rate, the Daily Interest Rate or the Bond Interest Term Rate, (ii) the information, opinions and data required by the Indenture, and (iii) all information required to give the notice of mandatory tender for purchase of the Bonds, then the Tender Agent shall accept such Alternate Liquidity Facility and, after the date of the mandatory tender for purchase, promptly surrender the Liquidity Facility then in effect to the issuer thereof for cancellation in accordance with its terms or deliver any document necessary to reduce the coverage of such Liquidity Facility due to the delivery of such Alternate Liquidity Facility.

Notice of Termination. The Trustee shall give notice to the Tender Agent, the Remarketing Agent, the Bond Insurer, and the holders of the Bonds of the termination or expiration of any Liquidity Facility in accordance with its terms as provided in the Indenture.

Rights and Duties under Liquidity Facility

The Tender Agent, by accepting its appointment as such, agrees without further direction, to make Requests under each Liquidity Facility then in effect, if any, for the payment or purchase of Bonds in accordance with the terms and conditions set forth in the Indenture, the Tender Agent Agreement and that Liquidity Facility at the times, in the manner and for the purposes set forth therein.

Notice of Termination, Event of Default or Other Change in Liquidity Facility

The Trustee shall give notice as provided in the Indenture to the holders of the Bonds secured by a Liquidity Facility of the replacement, termination or expiration of such Liquidity Facility in accordance with its terms, or in the case of any Mandatory Standby Tender under such Liquidity Facility. If there should occur any event resulting in the immediate termination or suspension of the obligation of the Liquidity Facility Provider to purchase Bonds under the terms of any Liquidity Facility, then the Trustee shall as soon as practicably possible thereafter notify the Bond Insurer and the holders of all the Bonds of such series then outstanding secured by such Liquidity Facility as provided in the Indenture.

Remarketing Agent; Tender Agent

The Remarketing Agent will keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Obligated Group Representative, the Authority, the Trustee, the Tender Agent, the Bond Insurer and the Liquidity Facility Provider at all reasonable times.

The Tender Agent agrees: to hold all Bonds delivered to it pursuant to the Indenture as agent and bailee of, and in escrow for the benefit of, the respective holders which have delivered such Bonds until money representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such holders; to hold all Bonds registered in the name of the new holders thereof which have been delivered to it by the Trustee for delivery to the Remarketing Agent in accordance with the Tender Agent Agreement; to hold Bonds for the account of the Obligors as stated in the Indenture and Bank Bonds for the account of the Liquidity Facility Provider as stated in the Indenture; and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Trustee, the Obligated Group Representative, the Liquidity Facility Provider and the Remarketing Agent at all reasonable times.

Qualifications of Remarketing Agent and Tender Agent; Resignation and Removal

Each Remarketing Agent shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least $100,000,000 and authorized by law to perform all the duties imposed upon it by the Indenture and the Remarketing Agreement. Each Remarketing Agent and any successor shall be acceptable to the Bond Insurer. A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving notice to the Authority, the Obligated Group Representative, the Trustee, the Tender Agent, the Bond Insurer and the Liquidity Facility Provider. Such resignation shall take effect on the 30th day after the receipt by the Obligated Group Representative of the notice of resignation. A Remarketing Agent may be removed at any time on 15 days prior written notice, by an instrument signed by the Obligated Group Representative and the Bond Insurer approved by the Liquidity Facility Provider and delivered to such Remarketing Agent, the Trustee, the Authority and the Tender Agent. Such removal shall not take effect prior to the date that a successor Remarketing Agent has been appointed by the Obligated Group Representative and the Bond Insurer and has accepted such appointment.

Each Tender Agent shall be a commercial bank with trust powers or a trust company duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $15,000,000 and authorized by law to perform all the duties imposed upon it by the Indenture and the Tender Agent Agreement. A Tender Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 60 days' notice to the Authority, the Trustee, the Obligated Group Representative, the Liquidity Facility Provider, the Bond Insurer and the Remarketing Agent. A Tender Agent may be removed at any time by an instrument signed by the Obligated Group Representative and the Bond Insurer, and filed with the Trustee. Such resignation or removal shall not take effect prior to the date that a successor Tender Agent has been appointed by the Obligors and the Bond Insurer and has accepted such appointment, such appointment has been approved by the Liquidity Facility Provider and the Liquidity Facility, if any, has been transferred, in accordance with its terms, to that successor. Upon the effective date of resignation or removal of a Tender Agent, such Tender Agent shall deliver any Bonds and money held by it in such capacity to its successor.

Notice of Bonds Delivered for Purchase; Purchase of Bonds; Deposit of Tender Price

The Tender Agent shall determine timely and proper delivery of Bonds pursuant to the Indenture and the proper endorsement of Bonds delivered. That determination shall be binding on the holders of those Bonds, the Authority, the Obligors, the Liquidity Facility Provider, the Remarketing Agent and the Bond Insurer, absent manifest error. In accordance with the provisions of the Tender Agent Agreement, the Tender Agent shall give notice by telephone or telecopy, promptly confirmed by a written notice, to the Trustee, the Obligors, the Authority, the Remarketing Agent and the Liquidity Facility Provider specifying the principal amount of Bonds as to which it receives notice of tender for purchase in accordance with the Indenture.

Bonds required to be purchased in accordance with the Indenture shall be purchased from the holders thereof, on the Tender Date and at the Tender Price. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated: proceeds of the sale of Bonds remarketed pursuant to the Indenture and the Remarketing Agreement and furnished to the Tender Agent by the Remarketing Agent for deposit into the Remarketing Account of the Bond Purchase Fund; money furnished by the Liquidity Facility Provider to the Tender Agent for deposit into the Liquidity Facility Purchase Account of the Bond Purchase Fund from Requests on the Liquidity Facility, if any (provided that moneys from Requests on the Liquidity Facility shall not be used to purchase Bank Bonds or Bonds from the Obligors; and money, if any, furnished by the Obligors at their option to the Tender Agent, as described above under "Payment of Tender Price by Obligor" for deposit into the Obligor Purchase Account of the Bond Purchase Fund for the purchase of Bonds by the Obligors. Money held in each Bond Purchase Fund shall be held uninvested by the Tender Agent.

If a Bond purchased as provided in the Indenture is not presented to the Tender Agent, the Tender Agent shall segregate and hold uninvested the money for the Tender Price of such Tender Bond in trust for the benefit of the former holder of such Bond, who shall, except as provided in the following sentences of this paragraph, thereafter be restricted exclusively to such money for the satisfaction of any claim for the Tender Price. Any money which the Tender Agent segregates and holds in trust for the payment of the Tender Price of any Bond which remains unclaimed for five years after the date of purchase shall be paid to the Obligors. After the payment of such unclaimed money to the Obligors, the former holder of such Bond shall look only to the Obligors for the payment thereof. The Obligors shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money.

Remarketing of Bonds; Notice of Interest Rates

Upon a mandatory tender (other than a Mandatory Standby Tender) or notice of tender for purchase of Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Bonds (including Bank Bonds) on the same date designated for purchase thereof in accordance with the Indenture and, if not remarketed on such date, thereafter until sold, at a price equal to par plus accrued interest, with such interest being calculated as if such Bond were not a Bank Bond. Bonds subject to a Mandatory Standby Tender shall not be remarketed unless such Bonds are converted to a Long-Term Interest Rate Period to their Maturity Date or to ARS, unless an Alternate Liquidity Facility is in full force and effect or unless the Liquidity Facility Provider has reinstated the Liquidity Facility with respect to which such Mandatory Standby Tender was declared and such Liquidity Facility is in full force and effect. Bonds shall not be remarketed to the Authority or the Obligors. The Bond Insurer shall not be required to purchase any Bonds that have not been remarketed.

The Remarketing Agent shall determine the rate of interest for a particular series of Bonds during each Interest Rate Period and each Bond Interest Term relating thereto and the Bond Interest Terms for such series of Bonds during each Short-Term Interest Rate Period relating thereto as provided in the Indenture and shall furnish to the Trustee, the Authority and the Obligated Group Representative no later than the Business Day next succeeding the date of determination each rate of interest and Bond Interest Term so determined.

The Remarketing Agent shall give notice to the Trustee and the Tender Agent on each date on which Bonds have been purchased with proceeds of the sale of Bonds remarketed pursuant to the Indenture and the Remarketing Agreement and furnished to the Tender Agent by the Remarketing Agent for deposit into the Remarketing Account of the Bond Purchase Fund, specifying the principal amount of such Bonds, if any, sold by it pursuant to such remarketing along with a list of the purchasers showing the names and denominations in which such Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers.

Delivery of Bonds

Bonds purchased with money from the proceeds of the sale of Bonds remarketed pursuant to the Indenture shall be made available by the Trustee to the Tender Agent and the Remarketing Agent for delivery to the purchasers thereof against payment therefor in accordance with the Tender Agent Agreement. Bonds purchased with money furnished by the Liquidity Facility Provider to the Tender Agent for deposit into the Liquidity Facility Purchase Account of the Bond Purchase Fund from Requests on the Liquidity Facility shall be registered in the name of the Liquidity Facility Provider and delivered in certificated form to the Liquidity Facility Provider as soon

as practical following their purchase or held by the Tender Agent as agent for the Liquidity Facility Provider, as directed by the Liquidity Facility Provider. Bonds purchased with money furnished by the Obligors to the Tender Agent shall be cancelled, unless otherwise consented to by the Bond Insurer, in which case such Bonds shall be held in escrow by the Tender Agent for the account of the Obligors until the Tender Agent receives further instructions from the Obligated Group Representative regarding disposition of those Obligor Bonds. Bonds delivered as provided in this paragraph shall be registered in the manner directed by the recipient thereof.

When any Bank Bonds are remarketed, the Tender Agent shall not release Bonds so remarketed to the Remarketing Agent until the Tender Agent has received and forwarded to the Liquidity Facility Provider the proceeds of such remarketing and (unless the Liquidity Facility is no longer to remain in effect) the Liquidity Facility has been reinstated.

Delivery of Proceeds of Sale

The proceeds of the sale by the Remarketing Agent of any Bonds shall be delivered to the Tender Agent for deposit into the Remarketing Account of the Bond Purchase Fund as provided in the Remarketing Agreement.

Inadequate Funds for Tenders

If sufficient funds are not available for the purchase of all Bonds tendered or deemed tendered and required to be purchased on any Tender Date, all Bonds shall bear interest at the lesser of the BMA Index plus two percent and the Maximum Bond Interest Rate from the date of such failed purchase until all such Bonds are purchased as required in accordance with the Indenture, and all tendered Bonds shall be returned to their respective Holders. Notwithstanding any other provision of the Indenture, such failed purchase and return shall not constitute an Event of Default. Thereafter, the Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Facility Provider.

Source and Application of Funds

The Indenture creates a Project Fund, a Bond Fund and a Bond Purchase Fund.

Project Fund. A Project Fund is established by the Authority with the Trustee. Upon the issuance and delivery of the Bonds, the proceeds of the sale thereof shall be deposited in the Project Fund. The Trustee will make each disbursement from the Project Fund required by the provisions of the Loan Agreement. Moneys in the Project Fund may also be invested as provided in the Indenture.

The completion of the Project and payment or provision for payment of all costs of the Project will be evidenced by the filing with the Trustee of the Completion Certificate required by the Loan Agreement. As soon as practicable and in any event not more than 60 days from the date of the certificate referred to in the preceding sentence, any balance remaining in the Project Fund (except amounts the Obligated Group Representative shall have directed the Trustee in writing to retain for any cost of the Project not then due and payable) shall without further authorization be transferred into the Bond Fund and thereafter applied in the manner provided in the Loan Agreement.

Bond Fund. A Bond Fund is established by the Authority with the Trustee. Moneys shall be deposited in the Bond Fund from time to time and shall be applied solely as follows:

(a) Upon completion of the Project, any funds shall be transferred from the Project Fund to Bond Fund and applied in accordance with the Indenture.

(b) Loan Payments (excluding any amounts relating to the Tender Price of Bonds) shall be deposited into the Bond Fund in the amounts required to pay the principal of and premium, if any, and interest next coming due on the Bonds.

(c) Sums for the redemption of the Bonds shall be deposited into the Bond Fund and shall be applied to make such redemptions.

(d) Sums received upon exercise of remedies by the Trustee or the Authority after an Event of Default (except sums received by the Authority pursuant to the Reserved Rights) shall be deposited in the Bond Fund. Such monies shall be applied in accordance with the provisions of the Indenture.

Bond Purchase Fund. In connection with the conversion of a series of Bonds from ARS to Bonds subject to an Interest Rate Period other than an ARS Interest Rate Period, there will be established with and maintained by the Tender Agent a "Bond Purchase Fund." The Tender Agent will further establish within each Bond Purchase Fund a separate trust account to be referred to as a "Remarketing Account," a "Liquidity Facility Purchase Account" and a "Obligor Purchase Account."

Remarketing Account. Upon receipt of the proceeds of a remarketing of Bonds on a Tender Date pursuant to the Indenture, the Tender Agent will deposit such proceeds in the Remarketing Account of the Bond Purchase Fund for application to the Tender Price of such Bonds and, if the Tender Agent is not a paying agent with respect to such Bonds, will transmit such proceeds to the Trustee for such application. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Bonds, the Tender Agent will immediately pay such proceeds to the Liquidity Facility Provider.

Liquidity Facility Purchase Account. Upon receipt from the Liquidity Facility Provider of the immediately available funds transferred to the Tender Agent pursuant to the Indenture, the Tender Agent will deposit such money in the Liquidity Facility Purchase Account of the Bond Purchase Fund for application to the Tender Price of the Bonds required to be purchased on a Tender Date in accordance with the Indenture to the extent that the money on deposit in the Remarketing Account of the Bond Purchase Fund is not sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Bonds will be immediately returned to the Liquidity Facility Provider.

Obligor Purchase Account. Upon receipt from the Obligors of any funds for the purchase of tendered Bonds, the Tender Agent will deposit such money, if any, in the Obligor Purchase Account of the Bond Purchase Fund for application to the Tender Price of the Bonds required to be purchased on a Tender Date in accordance with the Indenture to the extent that the money on deposit in the Remarketing Account and the Liquidity Facility Purchase Account of the Bond Purchase Fund is not sufficient. Any amounts deposited in the Obligor Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Bonds will be immediately returned to the Obligors.

Investment of Moneys in Funds. Any moneys held as a part of the Project Fund or any fund other than the Bond Fund shall be invested or reinvested by the Trustee, to the extent permitted by law, at the written request of and as directed by a Obligated Group Representative, in any Qualified Investments. Any moneys held as a part of any account of the Bond Fund shall be invested or reinvested by the Trustee, at the written direction of the Obligated Group Representative, to the extent permitted by law, in United States Obligations with such maturities as shall be required in order to assure full and timely payment of amounts required to be paid from the Bond Fund, which maturities shall, in any event, extend no more than 30 days from the date of acquisition thereof.

Avoidance of Arbitrage

Each of the Authority and (in the Loan Agreement) the Obligors agree to restrict the use of proceeds of the Bonds in such manner and to such extent as necessary to assure that the Bonds will not constitute arbitrage bonds under section 148 of the Code.

Nonpresentment of Bonds

In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, if moneys sufficient to pay any such Bond shall have been deposited with the Trustee for the benefit of the holder thereof, all liability of the Authority to the holder

thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, uninvested or invested in United States Obligations maturing overnight, but in any event without liability for interest thereon, for the benefit of the holder of such Bonds which shall thereafter be restricted exclusively to such funds for any claim of whatever nature on its part under the Indenture with respect to such Bonds.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within two years after the date on which the same shall have become due shall be repaid by the Trustee to the Obligors upon written direction of a Obligated Group Representative, and thereafter Bondholders shall be entitled to look only to the Obligors for payment, and then to the extent of the amount so repaid, and all liability of the Trustee with respect to such money shall thereupon cease, and the Obligors shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Events of Default and Remedies

The Indenture defines Events of Default to include: (a) failure to pay interest on any Bond when due and payable; (b) failure to pay any principal of or premium on any Bond when due and payable, whether at stated maturity or pursuant to any redemption requirement; (c) failure by the Authority to observe or perform any other covenant, condition or agreement on its part to be observed or performed as required within the Indenture or the Bonds, for a period of 30 days after written notice of such failure shall have been given to the Obligated Group Representative and the Authority by the Trustee; provided, however, that if such observance or performance requires work to be done, actions to be taken or conditions to be remedied which by its or their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default under subsection (c) will be deemed to have occurred or to exist if and so long as the Authority or the Obligors, as the case may be, shall have commenced such work, action or remediation within such 30-day period and provided written notice thereof to the Trustee and shall diligently and continuously prosecute the same to completion; (d) the occurrence of a Loan Default under the Loan Agreement; or (e) the occurrence of an "Event of Default" under Section 5.02 of the Master Indenture.

Acceleration. Subject to the rights of the Bond Insurer pursuant to the Indenture, upon the occurrence of any Event of Default described in clauses (a), (b), (d) or (e) in the preceding paragraph, the Trustee shall, upon the written request of a Majority of the Bondholders (with the prior written consent of the Bond Insurer so long as the Bond Insurer is not in default under the Policy), declare all Bonds then outstanding to be due and payable immediately, and, upon such declaration, all principal and interest accrued thereon shall become immediately due and payable and there shall be an automatic corresponding acceleration of the Obligor's obligation to make all payments required to be made under the Loan Agreement and the Series 2005 Notes. Interest shall accrue on the Bonds to the date of payment (even if after the date of acceleration).

Other Remedies; Rights of Bondholders. Subject to the rights of the Bond Insurer under the Indenture, upon the continuance of an Event of Default, if so requested by the Bond Insurer or a Majority of the Bondholders (with the consent of the Bond Insurer unless the Bond Insurer is in default under the Policy), and if satisfactory indemnity has been furnished to it, the Trustee shall exercise such of the rights and powers conferred by the Indenture, Obligor Security Instruments or any other Basic Agreement as the Trustee, being advised by counsel, deems most effective to enforce and protect the interests of the Bondholders; provided that the Trustee may take action with respect to the Loan Agreement only to enforce the rights expressly and specifically assigned to the Trustee under the Indenture.

No remedy under the Indenture is intended to be exclusive, and to the extent permitted by law each remedy shall be cumulative and in addition to any other remedy under the Indenture or now or hereafter existing. No delay or omission to exercise any right or power shall impair such right or power or constitute a waiver of any Default or Event of Default or acquiescence therein; and each such right and power may be exercised as often as deemed expedient. No waiver by the Bond Insurer, the Trustee (with the consent of the Bond Insurer unless the Bond Insurer is in default under the Policy) or the Bondholders (with the consent of the Bond Insurer unless the Bond Insurer is in default under the Policy) of any Default or Event of Default shall extend to any subsequent Default or Event of Default. No grace period for a covenant default under the Indenture shall be extended for more than 60 days, without the prior written consent of the Bond Insurer.

Right of Bondholders to Direct Proceedings. Subject to the rights of the Bond Insurer under the Indenture, but anything in the Indenture to the contrary notwithstanding, the Bond Insurer (so long as it is not in default under the Policy) or a Majority of the Bondholders (with the consent of the Bond Insurer unless the Bond Insurer is in default under the Policy) shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, Obligor Security Instruments or any other Basic Agreement or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction shall be in accordance with applicable law and the Indenture and, if applicable, Obligor Security Instruments or such other Basic Agreement, and provided that the Trustee shall be indemnified to its satisfaction.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken following an Event of Default shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances owing to or incurred or made by the Trustee, be deposited in the Bond Fund and the moneys in the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest (with interest on overdue installments of such interest, to the extent permitted by law, at the rate of interest borne by the Bonds) and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), (with interest on overdue installments of principal and premium, if any, to the extent permitted by law, at the rate of interest borne by the Bonds) and, if the amount available shall not be sufficient to pay in full all Bonds due on any particular date, then to the payment ratably according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto as the same shall become due of the principal of and premium, if any, and interest on the Bonds which may thereafter become due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on overdue installments of interest or principal, to the extent permitted by law, at the rate of interest borne by the Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of paragraph (b) above, in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

(d) Notwithstanding any other provisions of the Indenture, including the provisions making the Bond Insurer a beneficiary of the Indenture, no payment will be made to the Bond Insurer, other than by virtue of subrogation, until all amounts due to Bondholders have been paid.

Rights and Remedies of Bondholders. No Bondholder shall have any right to institute any proceeding for the enforcement of the Indenture or any right or remedy granted by the Indenture unless (i) an Event of Default is continuing, (ii) a Responsible Officer of the Trustee is deemed to have notice or knowledge thereof or has been notified as provided within the Indenture, (iii) a Majority of the Bondholders (subject to the rights of the Bond Insurer) shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to exercise its powers or to institute such proceeding in its own name, and shall have offered to the Trustee indemnity satisfactory to it, and (iv) the Trustee shall have failed or refused to exercise its power or to institute such proceeding. Such notice, request, offer of indemnity and failure or refusal shall at the option of the Trustee be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action for the enforcement of the Indenture or of any right or remedy granted by the Indenture; the holders of the Bonds shall have no right to affect or prejudice the lien of the Indenture by their action or to enforce any right under the Indenture except in the manner therein provided, and that proceedings shall be instituted and maintained in the manner therein provided, and for the benefit of the holders of all Bonds then outstanding. Notwithstanding the foregoing, each Bondholder shall have a right of action to enforce the payment of the principal of and premium, if any, and interest on any Bond held by it at and after the maturity thereof, from the sources and in the manner expressed in such Bond. The provisions of this paragraph are subject to the rights of the Bond Insurer under the Indenture to control and direct all remedies in the event of an Event of Default.

Waivers of Events of Default. The Trustee shall waive Default and its consequences and rescind any declaration of acceleration of principal upon the written request of the holders of (1) at least a majority in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists or (2) at least a majority in aggregate principal amount of Outstanding Bonds in the case of any other Default, but no such waiver or rescission shall extend to any subsequent or other Default or impair any right consequent thereto. The provisions of this paragraph are subject to the provisions of the Indenture under which the Bond Insurer has the sole right to waive an Event of Default.

Intervention by Trustee. In any judicial proceeding which the Trustee believes has a substantial bearing on the interests of the Bondholders, the Trustee may intervene on behalf of the Bondholders.

Remedies of Authority. Upon the occurrence and continuance of an Event of Default, the Authority shall not be required to take any action which in its opinion might cause it to expend time or money or otherwise incur any liability unless satisfactory indemnity has been furnished to it.

Amendment of Indenture

The Authority and the Trustee may without consent of, or notice to, any of the Bondholders enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) to subject to the Indenture, additional revenues, properties or collateral;

(d) to modify, amend or supplement the Indenture or any indenture supplemental hereof in such manner as to permit the qualification hereof and thereof under the Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(e) to evidence the appointment of a separate or Co-Trustee or the succession of a new Trustee under the Indenture;

(f) to correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate;

(g) to make any revisions of the Indenture that shall be required by a Rating Agency in order to obtain or maintain an investment grade rating on the Bonds;

(h) to make any revisions of the Indenture that shall be necessary in connection with the Obligated Group Representative or the Authority furnishing a Liquidity Facility or Bond Insurance Policy, including but not limited to revising the Interest Payment Dates for Bank Bonds;

(i) to provide for an uncertificated system of registering the Bonds or to provide for changes to or from the Book Entry System;

(j) to effect any other change herein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders; or

(k) to make revisions to the Indenture that shall become effective only upon, and in connection with, the remarketing of all of the Bonds then Outstanding.

In the event any Rating Agency has issued a rating of any of the Bonds, such Rating Agency or Rating Agencies, as the case may be, shall receive prior written notice from the Trustee of the proposed amendment but such notice shall not be a condition of the effectiveness of such amendment.

Exclusive of supplemental indentures permitted under the Indenture and subject to the terms and provisions contained therein and not otherwise, the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds, shall have the right, from time to time, subject to rights of the Bond Insurer under the Indenture to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, without the consent of the Bond Insurer (unless the Insurer is in default under the Bond Insurance Policy) and the holders of all Bonds Outstanding, (a) an extension of the maturity of the principal of, or the interest on, any Bonds issued under the Indenture, or (b) a reduction in the principal amount of, or redemption premium on, any Bonds or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modifications or waivers of the provisions of the Indenture or the Loan Agreement, or (e) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any part thereof, except as hereinbefore expressly permitted, or (f) the deprivation of the holder of any Outstanding Bonds of the lien hereby created on the Trust Estate, or (g) an extension of the date for making any scheduled mandatory redemption.

If at any time the Authority shall request the Trustee to enter into any such supplemental indenture for any of the purposes described above, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given to the Insurer and to the Bondholders in the same manner as provided in the Indenture for the giving of notices of redemption; provided, that prior to the delivery of such notice, the Trustee may require that an opinion of Bond Counsel be furnished to the effect that the supplemental indenture complies with the provisions of the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondholders and the Bond Insurer. If, within 60 days or such longer period as shall be prescribed by the Authority following such notice, the Bond Insurer or the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding subject to rights of the Bond Insurer under the Indenture at the time of the execution of any such supplemental indenture shall have consented to and approved the

execution thereof as herein provided, no Bondholder shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

In the event a Rating Agency has issued a rating of any of the Bonds, the Trustee shall mail to each such Rating Agency prior written notice of the proposed amendment but such notice shall not be a condition of the effectiveness of such amendment.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and is qualified by express reference to the full text thereof.

Loan of Bond Proceeds

Under the Loan Agreement, the Authority will loan to the Obligors the proceeds of the Bonds for the purpose of (i) financing, refinancing or reimbursing the cost of the Project; (ii) funding a portion of interest and certain hedge payments on the Bonds during construction; and (iii) refunding a portion of the City of Fort Wayne, Indiana Revenue Bonds, Series 1998 (Parkview Health System, Inc. Project) and (iv) paying costs of issuance of such bonds, including the cost of credit enhancement.

In order to provide for the repayment of such loan, the Obligors will execute and deliver to the Trustee, as assignee of the Authority, its Series 2005 Notes, which Series 2005 Notes will be issued and secured under the Master Indenture. The Bonds shall be secured by a pledge by the Authority to the Trustee of the Trust Estate, including the payments to be paid by the Obligors and any future Members of the Obligated Group pursuant to the Series 2005 Notes.

Obligors Required to Pay In Event Project Fund Insufficient

In the event the moneys in the Project Fund available for payment of the cost of the Project should not be sufficient to pay the cost of the Project in full, the Obligors agree to complete the Project and to pay that portion of the cost of the Project in excess of the moneys available therefor in the Project Fund.

Loan Term

The Obligor's obligations under the Loan Agreement shall commence on the date of the execution and delivery hereof and shall terminate after payment in full of the loan and all other amounts due under the Loan Agreement or the Series 2005 Notes; provided, however, that the covenants and obligations provided in the Loan Agreement shall survive the termination of the Loan Agreement and the payment in full of the amounts due under the Loan Agreement and the Series 2005 Notes.

Covenants

The Loan Agreement contains covenants of the Obligors related to their tax-exempt status, to indemnification of the Authority and the Trustee, and to the application of the proceeds of the sale of the Bonds.

Obligations Unconditional

The Obligor's obligations under the Loan Agreement and the Series 2005 Notes are continuing, unconditional and absolute, and are independent of and separate from any obligations of the Authority, and shall not be diminished or deferred for any reason whatsoever, irrespective of the doing of any act or the omission thereof by the Authority or the Trustee, irrespective of the existence of any other circumstances which might otherwise constitute a legal or equitable defense or discharge of the obligations of the Obligors hereunder, including without limitation (i) any matters of abatement, setoff, counterclaim, recoupment, defense or other right the Obligors may have against the Authority or the Trustee, suppliers of any portion of the Hospital Facilities or anyone for any reason whatsoever; (ii) compliance with specifications, conditions, design, operation, disrepair or fitness for use of, or any damage to or loss or destruction of any portion of the hospital facilities, any condemnation or sale in anticipation of condemnation of all or any portion of the Project, or any interruption or cessation in the use or possession thereof by any Obligor, for any reason whatsoever; (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against any Obligor; (iv) any failure of any supplier to deliver any portion of the Project for any reason whatsoever except as otherwise provided herein; (v) any acts or circumstances that may constitute failure of consideration, sale, loss, destruction or condemnation of or damage to the Project; or (vi) any change in the tax or other laws of the United States of America or of the State of Indiana or any political subdivision of either or any failure of the Authority to

perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with the Loan Agreement.

Prepayment of Loan and Series 2005 Notes

At the option of the Obligated Group Representative and after giving at least 45 days written notice by certified or registered mail to the Authority and the Trustee (or such lesser period of notice as may be acceptable to the Trustee), the Obligors may prepay all or a portion of the loan (and the Series 2005 Notes) by paying to the Trustee the then applicable optional redemption price as applicable under the Indenture to which such prepayment applies or by paying to the Trustee an amount (or securities meeting the requirements of the Indenture) sufficient to defease all or any portion of the Bonds under the provisions of the Indenture or to redeem any certificates otherwise subject to redemption under the Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2005 SUPPLEMENTAL MASTER INDENTURES

The Obligated Group make certain covenants in the Series 2005 Supplemental Master Indentures in addition to the existing covenants of the Obligors which are effective so long as the Bonds are outstanding and the Bond Insurance Policy is in full force and effect. The Bond Insurer, in its sole discretion, may waive these additional covenants. Among these additional covenants are modifications to certain definitions in the Master Indenture, additional covenants (which may be more restrictive to the Obligors than existing covenants) relating to restrictions as to days cash on hand, Members of the Obligated Group, negative pledge, substitution of notes, capitalization ratio, springing revenue pledge, debt service coverage ratio, additional indebtedness restriction and disposition of assets.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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Indiana Health and Educational Facility
Financing Authority
Indianapolis, Indiana

Citigroup Global Markets Inc.
New York, New York

U.S. Bank National Association, as Trustee
Indianapolis, Indiana

Re: Indiana Health and Educational Facility Financing Authority Revenue Bonds (Parkview Health System Obligated Group) Series 2005A and Series 2005B, issued in the respective aggregate principal amounts of $125,000,000 and $69,930,000 (collectively, the "Bonds") pursuant to the Trust Indenture dated as of July 1, 2005 (the "Trust Indenture"), between the Indiana Health and Educational Facility Financing Authority (the "Authority") and U.S. Bank National Association, as Trustee (the "Trustee"), which Trust Indenture contains an assignment of certain of the Authority's rights under the Loan Agreement, dated as of July 1, 2005 (the "Loan Agreement"), among the Authority and Parkview Health System, Inc. (the "Corporation") and Parkview Hospital, Inc. (the "Hospital," and together with the Corporation, the "Obligors"), and the Series 2005A Master Note and the Series 2005B Master Note (collectively, the "Notes"), issued pursuant to the Amended and Restated Master Trust Indenture, dated as of November 1, 1998, among the Obligors and U.S. Bank National Association (successor to National City Bank of Indiana), as Master Trustee (the "Master Trustee"), as supplemented and amended to the date hereof (the "Master Indenture") and as supplemented by a Series 2005A Supplemental Master Indenture and a Series 2005B Supplemental Master Indenture, each dated as of July 1, 2005 (collectively, the "Supplemental Master Indentures")

Ladies and Gentlemen:

We have examined a certified transcript of proceedings relating to (a) the creation and organization of the Authority; (b) the authorization, issuance and sale of the Bonds; (c) the authorization and execution of the Trust Indenture, the Loan Agreement, the Master Indenture, the Supplemental Master Indentures and the Notes; (d) an opinion of Rothberg, Logan & Warsco, LLP, counsel for the Obligors and Whitley Memorial Hospital, Inc., Huntington Memorial Hospital, Inc., and Community Hospital of Noble County, Inc. (collectively, the "Affiliates"); (e) executed counterparts of the Loan Agreement, the Trust Indenture, the Master Indenture and the Supplemental Master Indentures; (f) a certificate of officers of the Authority, of even date herewith, regarding the execution of the Bonds and showing no litigation pending or threatened; (g) certificates of officers of the Trustee regarding the execution of the Trust Indenture, authentication of the Bonds, and showing payment for and delivery of the Bonds; (h) letters from the Internal Revenue Service evidencing that the Obligors and the Affiliates are exempt from taxation as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as in effect on the date hereof (the "Code"); (i) the executed Notes; (j) certificates of the Obligors of even date herewith; and (k) an executed Internal Revenue Service Form 8038.

We have also examined Indiana Code 5-1-16, as amended, and such other provisions of the constitution and laws of the State of Indiana (the "State") as we have deemed relevant and necessary as a basis for the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon representations and covenants of the Obligors, the Affiliates and the Authority contained in the Loan Agreement and the Trust Indenture and in the certified transcript of proceedings and other certificates of officers furnished to us, including the tax covenants and representations of the Authority, the Obligors and the Affiliates (the "Tax Covenants"), without undertaking to verify the same by independent investigation.

Based on the foregoing and our review of such other information, papers and documents as we believe necessary or advisable, we are of the opinion that:

1. The Loan Agreement has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Obligors, is a valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms.

2. The Trust Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Trustee, is a valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms.

3. The Bonds have been duly authorized, executed and issued and are valid and binding limited obligations of the Authority enforceable in accordance with their terms.

4. Under existing laws, regulations, judicial decisions and rulings, the interest on the Bonds is exempt from income taxation in the State. This opinion relates only to the tax exemption of interest on the Bonds from State income taxes.

5. Under existing laws, regulations, judicial decisions and rulings, the interest on the Bonds is excludable from gross income pursuant to Section 103 of the Code for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Obligors, the Affiliates and the Authority with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

The opinion expressed in paragraph 5 is expressly limited as set forth in this paragraph. If subsequent to the date hereof the interest period applicable to the Bonds is changed, we are not expressing an opinion herein on the effect such change shall have on the exclusion from gross income for federal income tax purposes of interest on the Bonds. As described in the Trust Indenture, a favorable opinion of bond counsel would be required in the event of any such change.

It is to be understood that the rights of the owners of the Bonds, the Authority, the Trustee and the Obligors and the enforceability of the Bonds, the Trust Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be understood that the rights of the owners of the Bonds, the Authority, the Trustee and the Obligors and the enforceability of the Bonds, the Trust Indenture and the Loan Agreement may be subject to the valid exercise of the constitutional powers of the State and the United States of America.

Very truly yours,

APPENDIX E

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

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